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EXPLAINING GREAT POWER COOPERATION IN CONFLICT MANAGEMENT

By BENJAMIN MILLER*

INTRODUCTION

AFTER more than four decades of continuity, recent years have seen far-reaching changes in international politics. The changes have appeared at both the unit level and the international system level. In the former instance, they occurred within the political and socioeconomic systems of states, taking the form of democratization and transition to market economies, notably in Latin America, Eastern Europe, and, most recently, the former Soviet Union. Changes at the international system level include the decline of bipolarity due to the weakening of Soviet power and its disengagement from Eastern Europe and other parts of the globe and the potential for an integrated Europe or a united Germany and for Japan to become a major world power. In many ways these changes have been the most dramatic since the end of World War II and the onset of the cold war in the late 1940s.

What does international relations theory lead us to expect concerning the effects of these changes on world stability and international conflict management? On the one hand, it raises concerns about the expected changes at the systems level: the classic debate on the relative merits of bipolarity and multipolarity notwithstanding, many analysts have recently come to accept the Waltzian argument about the greater basic stability of bipolar systems.[1] Indeed, pessimists in the realist camp antic-

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[1] On deductive reasoning for the stability of bipolar systems, see Kenneth Waltz, "The Stability of a Bipolar World," *Daedalus* 93 (1964); idem, *Theory of International Politics* (Read-

ipate greater instability in post–cold war Europe because of the structural transition from bipolarity to multipolarity.[2] On the other hand, optimists in the liberal camp would find the unit-level changes reassuring,[3] because of the anticipated pacifying effects of the democratization process (the Kantian argument that democracies never fight each other having been expressed most recently by Doyle) and of economic liberalism as expressed by the rise of the trading state, the transition to free-market economies, and the related growing economic interdependence.[4]

Indeed, contemporary international relations theory fails to provide an adequate and parsimonious answer to this question of what we should expect, though it is so important for issues of war and peace. Broadly speaking, international relations theory can be divided into two main families: inside-out, or unit-level, theories (which focus on state attributes and on cognitive factors)[5] and structural/systemic theories (which

ing, Mass.: Addison-Wesley, 1979), chap. 8; and Glenn Snyder and Paul Diesing, *Conflict among Nations* (Princeton: Princeton University Press, 1977), chap. 6. For empirical evidence that bipolar systems are more stable, see Jack Levy, "The Polarity of the System and International Stability: An Empirical Analysis," in Alan Ned Sabrosky, ed., *Polarity and War* (Boulder, Colo.: Westview Press, 1985), 54–58, 66. For a game-theoretical perspective, see Kenneth A. Oye, ed., *Cooperation under Anarchy* (Princeton: Princeton University Press, 1986). For an application to the 1930s, see Barry Posen, *The Sources of Military Doctrine* (Ithaca, N.Y.: Cornell University Press, 1984); for the postwar period, see John Gaddis, *The Long Peace: Inquiries into the History of the Cold War* (New York: Oxford University Press, 1987). For a similar rationale in different international contexts, see Joanne Gowa, "Anarchy, Egoism, and Third Images," *International Organization* 40 (Winter 1986); idem, "Bipolarity, Multipolarity and Free Trade," *American Political Science Review* 83 (December 1989); and Michael Mandelbaum, *The Fate of Nations* (New York: Cambridge University Press, 1988).

[2] See John Mearsheimer, "Back to the Future," *International Security* 15 (Summer 1990).

[3] The most extreme representative is Francis Fukuyama, "The End of History?" *National Interest* 16 (Summer 1989). On realist, or "Hobbesian," pessimists versus liberal optimists in post–cold war Europe, see Jack Snyder, "Averting Anarchy in the New Europe," *International Security* 14 (Spring 1990).

[4] On democracies and war, see Michael Doyle, "Liberalism and World Politics," *American Political Science Review* 80 (December 1986). On the trading state, see Richard Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World* (New York: Basic Books, 1986). For a brief recent review of the economic-liberal argument concerning the connection between a market economy and peace, see Jack Levy, "Domestic Politics and War," in Robert Rotberg and Theodore Rabb, eds., *The Origin and Prevention of Major Wars* (Cambridge: Cambridge University Press, 1989), 89–90.

[5] Such inside-out theories expect high correlation between internal attributes, states' foreign policies, and international outcomes. These theories include second-image theories (such as the Wilsonian, the liberal economic, and Marxist schools); see Kenneth Waltz, *Man, the State and War* (New York: Columbia University Press, 1959), chaps. 4, 5; Doyle (fn. 4); Stanley Hoffmann, "Liberalism and International Affairs," in Hoffmann, *Janus and Minerva* (Boulder, Colo.: Westview Press, 1987); and Grotian perspectives, which argue that common norms and beliefs facilitate cooperation, most recently in the regime literature, e.g., John Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," in Stephen Krasner, ed., *International Regimes* (Ithaca, N.Y.: Cornell University Press, 1983). For criticism of inside-out theories, see Waltz, *Man, State and War*; and idem (fn. 1, 1979).

stress the effects of the international system on state behavior).[6] This essay assumes that both approaches have some explanatory power with respect to international outcomes and seeks to reconcile their competing claims, at least in the area of conflict management. I will argue that (1) tacit regulation of the use of force (manifested most dramatically by crisis cooperation, that is, *crisis management*) is conditioned by *structural* elements (most specifically, the distribution of capabilities in the international system), whereas (2) cooperation in *conflict resolution* (cooperation that extends beyond the time of a certain crisis) depends on *state/cognitive* factors (domestic regimes and leaders' beliefs).[7] Such a theoretical model can provide a parsimonious explanation for some major puzzles for international relations theory, as well as some suggestive ideas for future conflict management.[8] This essay presents the model and its rationale and applies it to U.S.-Soviet conflict management in the postwar era; it also includes a brief comparison with the nineteenth-century Concert of Europe.

This model challenges the domination of the crisis literature by decision-making analysis[9] and the more general disregard of systemic factors

[6] The most influential structural theory is Waltz (fn. 1, 1979). For criticism and Waltz's response, see Robert Keohane, ed., *Neorealism and Its Critics* (New York: Columbia University Press, 1986). A recent development related to structural theory is the emergence of the literature on cooperation under anarchy. See Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984); Oye (fn. 1); and Robert Jervis, "Cooperation under the Security Dilemma," *World Politics* 30 (January 1978). See also Keohane, *After Hegemony* (Princeton: Princeton University Press, 1984). Cooperation theory uses game theory, especially the Prisoners' Dilemma.

[7] The critical element that characterizes a crisis and that differentiates it from a normal period is the dangerously high probability of resort to military force; see Michael Brecher, "Toward a Theory of International Crisis Behavior," *International Studies Quarterly* 21 (March 1977); and Snyder and Diesing (fn. 1), 6–7. Conflict resolution refers to settlement of the fundamental issues in conflict.

[8] More specifically, the recent systemic changes might lead to greater problems in crisis management than in the postwar era, but the unit-level changes, if they persist and spread further, should lead to greater successes at conflict resolution. Thus, they should lead to more effective crisis prevention and should lessen the likelihood that crises will occur in the first place, especially in regions that have seen the most far-reaching domestic changes—Europe and Latin America. In other regions (notably the Middle East, some parts of Asia and Africa, and the former Soviet empire and the Balkans) the combination of the decline of bipolarity and the severe limits to the unit-level changes suggests that there might be growing problems in crisis prevention and in crisis management and less stability than in the last forty-five years unless the great powers in cooperation with the local parties make a concerted attempt to resolve conflicts and maintain stable balances of forces.

[9] See Ole Holsti, *Crisis, Escalation, War* (Montreal: McGill-Queens University Press, 1972); Irving Janis, *Groupthink* (Boston: Houghton Mifflin, 1972); Graham Allison, *Essence of Decision* (Boston: Little, Brown, 1971); Ole Holsti and Alexander George, "The Effects of Stress on the Performance of Foreign Policy-Makers," *Political Science Annual* 6 (1975); Alexander George, *Presidential Decisionmaking in Foreign Policy: The Effective Use of Information and Advice* (Boulder, Colo.: Westview Press, 1980), 47–49; Richard Ned Lebow, *Between Peace*

by inside-out theories. Crisis analysis is supplemented with structural factors. At the same time, however, this study addresses the failure of structural and game theories to specify the types of outcome they best explain.[10] It highlights outcomes best explained by structural factors such as inadvertent wars and tacit rules for regulation of the use of force—outcomes that are closely related to the question of the success or failure of crisis management.

Also considered are important phenomena that structural theory fails to explain; these include high-level explicit cooperation in international regimes and especially their normative content and related learning.[11] To account for such outcomes, the analysis departs from an exclusive focus on system-level factors to consider unit-level elements as well. Indeed, inside-out theories are most useful for explaining great power concerts and cooperation in conflict resolution, that is, cooperation that takes place mostly in noncrisis periods.

The following section illustrates the usefulness of the model by considering four puzzles drawn from a comparison of the nineteenth-century Concert of Europe and the postwar era. The second section introduces the dependent variables of this study: modes and types of *cooperation* (spontaneous versus deliberate and crisis management versus concerted diplomacy in conflict resolution). This is followed by a discussion of the rationale for linking crisis management with structural factors and unit-level elements with normal (noncrisis) diplomacy, especially conflict resolution. Finally, the model is used to explain the contrast during the postwar era between the persistent tacit cooperation of the

and War: The Nature of International Crisis (Baltimore: Johns Hopkins University Press, 1981); idem, *Nuclear Crisis Management: A Dangerous Illusion* (Ithaca, N.Y.: Cornell University Press, 1987); and Robert Jervis, Richard Ned Lebow, and Janice Stein, *Psychology and Deterrence* (Baltimore: Johns Hopkins University Press, 1985).

[10] In the Prisoners' Dilemma the players have only two choices: defection or cooperation. By contrast, cooperation might more appropriately be conceived of as a continuum. On this point, see Robert Jervis, "Realism, Game Theory and Cooperation," *World Politics* 40 (April 1988); Alexander George et al., *U.S.-Soviet Security Cooperation* (New York: Oxford University Press, 1988), 5 n. 4, 11 n. 31, 14; and Stephan Haggard and Beth Simmons, "Theories of International Regimes," *International Organization* 41 (Summer 1987), 504. Despite the importance that structural theory attaches to the international effects of the number of players on outcomes such as stability and order, it is not clear from that literature whether one should expect more cooperation in a bipolar or a multipolar system and what kind of cooperation, if any, is expected in each of the systems. Cf. Waltz (fn. 1, 1964), 882–83; idem (fn. 1, 1979), 171, 175; and Snyder and Diesing (fn. 1), 446; versus Waltz (fn. 1, 1979), chaps. 8, 9; Snyder and Diesing (fn. 1), 506–7; Oye (fn. 1), 4; and Gowa (fn. 1, 1986), 172. Moreover, in Waltz's work on bipolar stability (fn. 1, 1964 and 1979) it is not completely clear whether system stability means durability or peacefulness or both. See John Ruggie, "Continuity and Transformation in the World Polity: Toward a Neorealist Synthesis," in Keohane (fn. 6, 1986), 153–54.

[11] See George et al. (fn. 10), 6; Jervis (fn. 10); Haggard and Simmons (fn. 10), 500–506.

superpowers in times of crisis and the fluctuations in their relations in normal times.

THE FOUR PUZZLES: ANOMALIES FOR INTERNATIONAL RELATIONS THEORY

For almost forty years five great European powers managed international affairs together, yet the Concert of Europe collapsed in violence as a result of unintended wars. For over forty years the two superpowers failed to cooperate in the management of international affairs, yet no world war, planned or unintended, broke out. Why?

Not only has international relations theory in general failed to formulate a parsimonious answer to this critical question, but four puzzles deriving from it present serious anomalies for specific, leading international relations theories. To begin with the first two:

> 1. Great powers that are relatively moderate (in their attitude toward the status quo) and similar (culturally and ideologically) fail to manage crises and indeed find themselves fighting inadvertent wars. The best examples[12] are the Crimean War and, to a lesser extent, World War I. Both (especially the first one) broke out after an era of intensive cooperation between the powers, namely, the nineteenth-century Concert of Europe, and despite the initial reluctance of the parties to go to war with each other, or at least at the magnitude in which they eventually found themselves.[13]

[12] Obviously, there is not total correlation between the theoretical element of the puzzles and the historical cases that illustrate them. Yet there are critical elements in the historical cases that correspond to the essence of these puzzles, especially when considered in comparison with other periods. For example, the nineteenth-century powers were moderate and similar in comparison with the postwar U.S. and Soviet Union. Moreover, the focus here is on explaining not a specific historical case but rather certain types of international phenomena such as inadvertent wars, tacit rules, or concerts.

[13] As the literature on these two wars is vast, it is noteworthy that a recent major volume on crisis management, which provides a comprehensive treatment of inadvertent wars, includes case studies of the Crimean War and World War I. See Richard Smoke, "The Crimean War," and Jack Levy, "The Role of Crisis Management in the Outbreak of World War I," both in Alexander George, ed., *Avoiding War: Problems of Crisis Management* (Boulder, Colo.: Westview Press, 1991). Although the precise dates of the Concert are disputed, most scholars agree that the Concert lasted until the Crimean War. This war was thus clearly a case of failed crisis management under the Concert. See the references in Charles Kupchan and Clifford Kupchan, "Concerts, Collective Security, and the Future of Europe," *International Security* 16 (Summer 1991), 122 n. 23. Even World War I can be seen, at least to some extent, as a failed crisis management under the Concert. Not only did the Concert endure in name until World War I, but as late as 1913 the great powers convened a conference in London to address the Balkan conflict. Moreover, Britain and Germany experienced a détente in their relations in the three years preceding World War I. See Mandelbaum (fn. 1), 55; and Sean Lynn-Jones, "Detente and Deterrence," *International Security* 11 (Fall 1986). On World War I as an inadvertent war, see also the fairly comprehensive list of references in Lynn-Jones, 121–23 nn. 1–5. It is true that this characterization of World War I contrasts with the argument of the Fischer school of historians concerning the German aggression that led to the war (cited in Lynn-Jones, 123 n. 6), but there is a widespread view that the cultural

2. Relatively immoderate and dissimilar powers cooperate. A remarkable illustration is the postwar U.S.-Soviet crisis management and joint termination of regional wars.[14] This tacit cooperation can be described in terms of patterns of restraint or even tacit rules for regulating the use of force.

These two puzzles are paradoxical both on commonsense grounds and in terms of a number of inside-out theoretical approaches that expect a correlation between similar internal attributes and the likelihood of cooperative outcomes. Why did a security regime such as the Concert collapse in violence? And why did ideologically antagonistic powers cooperate more effectively in crisis management than more similar and usually friendlier powers? Indeed, inside-out theories do not adequately explain unintended outcomes, that is, outcomes that cannot be deduced from actors' intentions and attributes. This is a major flaw, because such outcomes occur quite frequently in international politics.[15]

The most parsimonious answer links systems theory with crisis management. Following the realist tradition, this approach highlights the difficulties of sustaining high-level cooperation under anarchy of *all* the great powers of the day (no matter which), especially in the sensitive area of security.[16] At the same time two system-level causes—the transformation of the international system from a multipolar to a bipolar one

similarity of the nineteenth-century powers underlined the Concert of Europe (see Hedley Bull, *The Anarchical Society* [New York: Columbia University Press, 1977], 226, 316–17), as did also the relative moderation of these powers' foreign policies, even including Germany's, on the eve of World War I. Robert Jervis writes: "If we were to add up each state's expansionism in this period, we would expect a moderate international system"; see Jervis, "Systems Theories and Diplomatic History," in Paul Lauren, ed., *Diplomacy* (New York: Free Press, 1979), 213. Indeed, even Fischer's supporters accept that Germany did not want a world war but stumbled into it as a result of misguided attempts to ensure German security. See Thomas Christensen and Jack Snyder, "Chain Gangs and Passed Bucks: Predicting Alliance Patterns in Multipolarity," *International Organization* 44 (Spring 1990), 148 n. 25.

[14] The postwar era will be defined here as the period from the late 1940s to the late 1980s. During that time the structure of the international system was bipolar: the U.S. and the Soviet Union were the most powerful states in overall capabilities and the leading actors in influencing patterns of conflict and cooperation in the global system.

[15] On unintended consequences in international politics, see Waltz (fn. 1, 1979); Jervis (fn. 13), 216–19; and Gaddis (fn. 1), 217–18. For more general discussions of unintended consequences, see William Summer, "War," in *War and Other Essays* (New Haven: Yale University Press, 1911); and Morton Deutsch, *The Resolution of Conflict* (New Haven: Yale University Press, 1973), 358.

[16] Classical realist writers include E. H. Carr, *The Twenty Years Crisis, 1919–1939* (New York: Harper and Row, 1964); Hans Morgenthau, *Politics among Nations*, 5th ed. (New York: Alfred A. Knopf, 1978); and Raymond Aron, *Peace and War: A Theory of International Relations* (New York: Praeger, 1967). On the difficulties of security cooperation, see Robert Jervis, "Security Regimes," in Krasner (fn. 5); and Charles Lipson, "International Cooperation in Economic and Security Affairs," *World Politics* 37 (October 1984). For a recent presentation of the realists' views on the limits of cooperation, see Joseph Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism," *International Organization* 42 (Summer 1988).

and the emergence of nuclear weapons—made it easier for competing great powers to manage crises.[17] Specifically, the nuclear revolution provided major incentives for cautious behavior concerning the use of force in times of crisis, whereas bipolarity facilitated the emergence of tacit rules for regulating the use of force.[18] In a bipolar situation the relative clarity of the balances of capabilities, commitments, and interests minimizes the chances of misjudging the rival's capability and resolve to defend its vital stakes—even in the absence of formal agreements and explicit negotiations between antagonists. Once each coalition has a single leader who is responsible for responding promptly to threats to the status quo, accurate mutual expectations about the other's reactions are more likely to evolve.

The proposition that a two-power world is conducive to the emergence of spontaneous cooperation manifested by tacit rules is supported by both the theory of the firm in microeconomics and findings in social psychology.[19] The explanatory power of structural theory regarding postwar crisis management is reinforced by the fact that according to an inside-out perspective, subsystemic changes following World War II, as we will see below, should have made it especially difficult to regulate the use of force. By contrast, in past multipolar systems uncertainties derived from intense security dilemmas and a collective goods problem made it

[17] Although Waltz (fn. 1, 1979), 180–81, considers nuclear arms as a unit-level element, they are qualitatively different from such internal factors as ideology and domestic politics. Rather, nuclear weapons are an indispensable part of the overall distribution of capabilities. Moreover, MAD as an objective situational constraint (irrespective of whether it is also a strategy or even if the dominant doctrine is flexible response—war fighting) fits well with the structural idea of objective factors that exercise restraining pressures on the actors regardless of their intentions, that is, their planned policies and strategic doctrines. On such a conception of nuclear deterrence, see Robert Jervis, *The Meaning of the Nuclear Revolution* (Ithaca, N.Y.: Cornell University Press, 1989).

[18] As we know from the history of unintended wars, such as the Crimean War and World War I, willingness to avoid war has not always been sufficient to prevent a major war, let alone to foster the emergence of such rules.

[19] In general, the more concentrated the power within a certain industry, the easier is cooperation between the leading firms to maintain their price above the equilibrium level. This is based on Mancur Olson's collective goods theory; see Olson, *The Logic of Collective Action* (Cambridge: Harvard University Press, 1965), chaps. 1–2; and Russell Hardin, *Collective Action* (Baltimore: Johns Hopkins University Press, 1982), 4–42. More specifically, Frederic M. Scherer, an economist, has argued that when only two firms dominate an industry, they will spontaneously coordinate their conduct to secure a higher price (namely, the oligopoly price). The larger the number of oligopolists, the more explicit their cooperation must be. See Scherer, *Industrial Pricing: Theory and Evidence* (Chicago: Rand McNally, 1970), 7–8, cited in Mandelbaum (fn. 1), 35 n. 26. In several experimental studies in social psychology, Thibaut and his associates have shown that two parties are more likely to devise norms of behavior to regulate their behavior and avoid conflict when both have the power and willingness to affect the welfare of the other. See, e.g., Thibaut and Faucheux 1965, Thibaut 1968, Thibaut and Gruder 1969, which are cited in Martin Patchen, *Disputes between Nations* (Durham, N.C.: Duke University Press, 1988), 40. This kind of interdependence is especially high between the superpowers in a bipolar world.

difficult to manage crises, even for members of a security regime or a diplomatic concert.[20]

But if systemic causes are especially powerful with respect to regulating the use of force in times of crisis, this is not so in the context of normal diplomacy and conflict resolution. Indeed, unit-level analysis best explains the following two puzzles:

3. Five competing great powers establish a diplomatic concert and jointly manage the international system. The outstanding example is the Concert of Europe, especially during the period 1815–54.[21]

4. The only two great powers in the system fail to coordinate their normal diplomacy even when their interests converge. This applies to the U.S. and the Soviet Union in the postwar era (until the significant changes in their relations in the late 1980s following the major cognitive and domestic changes in the Soviet Union), notably regarding some regional conflicts such as the Arab-Israeli dispute.[22]

These puzzles present two anomalies for structural theory. First, despite the anarchic, self-help nature of the international system, the great powers of the nineteenth century managed to transcend for about forty years the normal balancing behavior of states, especially of big powers, against each other by forming a concert in which all the great powers collaborated.[23] Second, both structural and game theory would expect

[20] Major examples of the destabilizing effects of unclarity in the balance of interests and of related commitments to intervene include the Russian miscalculation of the British commitment to Turkey in 1853–54 and the German misjudgment of the British commitment to the Triple Entente in summer 1914. The first misperception led to escalation of the Crimean War. See, e.g., Smoke (fn. 13), 44. He highlights the destabilizing effects of the multipolar structure on the management of the Crimean crisis (p. 56). The second miscalculation was a major factor in the escalation of World War I. See, e.g., Levy (fn. 13), 88; and Lynn-Jones (fn. 13), 144. On the security dilemma, see Jervis (fn. 6). The terms *buck-passing* and *free ridership*, derived from the collective goods problem in Olson (fn. 19), are applied to multipolar systems by Posen (fn. 1), 63–64. For a recent refinement of Waltz's argument concerning the instability of multipolar systems, see Christensen and Snyder (fn. 13), 137–68.

[21] For recent conceptualizations of the Concert of Europe as a mechanism for conflict resolution and system management, see Mandelbaum (fn. 1), chap. 1; and Ian Clark, *The Hierarchy of States* (Cambridge: Cambridge University Press, 1989), chap. 6. On the Concert as a security regime in contrast to the absence of such a regime in the postwar era, see Jervis "Security Regimes," in Krasner (fn. 5). For a distinction between a concert and other mechanisms for conflict management and for the theoretical underpinnings of these mechanisms and their application to the postwar and the post–cold war eras, see Benjamin Miller, "A 'New World Order': From Balancing to Hegemony, Concert or Collective Security," *International Interactions* 18 (Fall 1992).

[22] See, e.g., Benjamin Miller, "Perspectives on Superpower Crisis Management and Conflict Resolution in the Arab-Israeli Conflict," in George Breslauer, ed., *Soviet Strategy in the Middle East* (Boston: Unwin Hyman, 1990).

[23] On the structural expectation that great powers will balance each other because of the dominance of security considerations in an anarchic system, see Arnold Wolfers, *Discord and Collaboration* (Baltimore: Johns Hopkins University Press, 1962), 122–24; Waltz (fn. 1, 1979), 123–28; and Stephen Walt, *The Origins of Alliances* (Ithaca, N.Y.: Cornell University Press, 1987).

greater cooperation and joint management when there are fewer actors,[24] yet the superpowers, despite their low number, were less capable than earlier powers (such as the Concert members) of coordinating their normal diplomacy, even when they had converging interests.

To answer these questions, one must bring in subsystemic analysis. Structural theory alone cannot account for the differences in the attempts at establishing great power collective diplomacy following the three general wars of the last two hundred years.[25] Clearly, something fundamental must have differentiated the nineteenth-century Concert from the short-lived and ill-fated ones (if they were concerts at all) that arose after the two world wars. The formation of a true concert in the first case was made possible by the common (conservative) ideology of the elites of all the great powers after 1815 and the shared internal-ideological threat they faced—of revolution and its concomitant dangers of war. Such common ideology and type of shared threats were missing following the two general wars of the twentieth century, and thus no enduring concert could have emerged after 1918 and 1945. Only with the onset of the internal reforms in the Soviet Union in the late 1980s and the narrowing of the ideological polarization between the U.S. and the Soviet Union could cognitive and domestic constraints on concerted diplomacy lessen considerably. And only then could such cooperation emerge as has recently in Southern Africa, Afghanistan, Cambodia, the Horn of Africa, and the Middle East.[26]

Unlike the multitude of previous attempts at explaining the four puzzles, then, this study offers a theoretical model that explains all of them simultaneously.[27] The core of the argument is that unit-level factors accounted for the joint diplomatic management of the Concert but could not completely forestall the mismanagement of certain crises and the

[24] Waltz (fn. 1), chap. 9, suggests that it should be easier to manage the international system when there are only two superpowers. For related points, see Snyder and Diesing (fn. 1), 506–7; Oye (fn. 1), 4; Gowa (fn. 1, 1986), 172; and Mandelbaum (fn. 1), 35 n. 26.

[25] Jervis, "From Balance of Power to Concert," in Oye (fn. 1), offers an interesting structural explanation of the formation of concerts following general wars. But a real concert arose in only one of the three historical instances in which a concert should, according to the theory, have been created.

[26] Such a cognitive-domestic account of the most recent superpower concert differs from Steve Weber's structural explanation of superpower joint custodianship; see Weber, "Realism, Detente, and Nuclear Weapons," *International Organization* 44 (Winter 1990). My model can explain why a concert could emerge only after Gorbachev's reforms and not earlier, although Weber's structural change of the emergence of nuclear deterrence took place much earlier. Moreover, the model presented here is much more skeptical than Weber's about the endurance and effectiveness of such a concert in the event of a conservative/nationalist backlash in Russia, which would again deepen the ideological gulf between the two powers regardless of the endurance of MAD (mutual assured destruction).

[27] I am following Waltz's conception of a model of a theory (fn. 1, 1979), 7.

resultant outbreak of some inadvertent wars; conversely, system-level factors explain the evolution in the postwar era of tacit rules of crisis management that have helped to prevent World War III. Overwhelmed by bipolarity (and reinforced by another system-level factor, nuclear deterrence), unit-level factors could not jeopardize crisis management. And in reverse, systemic-level factors were insufficient for establishing a concert of the great powers in the face of powerful unit-level elements that constrained the superpowers' ability to collaborate in conflict resolution.

The two variables—system polarity and unit-level elements—can be combined to yield four possible worlds with respect to great power conflict management. (See Figure 1).

The first ideal world (multipolar with considerable ideological convergence and cultural similarity of the great powers) produces a great power concert that jointly resolves international conflicts. It thus reduces the likelihood of the onset of crises among the great powers themselves in the first place, but there is some danger of breakdown of the multiple, complex security regime in times of crisis. This world is approximated by the Concert of Europe.

The second world (multipolar in the distribution of capabilities and

systems-level: polarity (number of great powers) / unit-level factors: similarity and moderation	high (ideological consensus)	low (ideological polarization)
high (multipolar)	1 diplomatic concert failure in crisis management (the Concert of Europe) —— (1914)	2 competition and conflict failure in crisis management —— (1930s)
low (bipolar)	4 diplomatic concert effective crisis management (détente)	3 competition and conflict effective crisis management (cold war)

FIGURE 1
FOUR WORLDS

polarized along ideological and cultural lines) generates competition and conflict in normal times as well as high probability of failure of crisis management. Furthermore, crises are more likely to occur in this world because preventive diplomacy is much less effective than in the world of concerted diplomacy. The second world is approximated by the era of the 1930s. In the interwar period the increased ideological and cultural differences between the powers and the mounting influence of internal politics on foreign policy made joint diplomacy still less feasible than before World War I. And indeed, the world on the eve of World War I is located somewhere between the first and second worlds. Changes in the character of unit-level elements since the first half of the nineteenth century (the rise of nationalism—resulting in less similarity and moderation—and the greater influence of domestic politics) made crisis prevention in the early twentieth century less effective than it had been in the Concert era, although some degree of concerted diplomacy survived almost until the outbreak of World War I. Unlike World War II, then, this war can be seen as unintended. On the eve of both world wars, however, the multipolar structure made crisis management difficult: in 1914 the structure made it more likely that the powers would overreact, whereas in the 1930s the structure provided incentives for the Western powers to underreact to German aggression.

In contrast, the bipolar structure encourages a delicate balance between resolve and caution and thus produces more effective crisis management in both world 3 and world 4. When the ideological gulf between the superpowers is great, however, as in world 3, they do not succeed in cooperating in conflict resolution. The likelihood of crises is thus high, and the competition remains keen. This world is approximated by the cold war of the 1950s, the early 1960s, and the early 1980s.

In world 4 the ideological polarization is weakened or at least decision makers' perceptions of key international issues converge, which fosters a greater willingness to cooperate in settling disputes. This world is approximated by the U.S.-Soviet détente of the 1970s and the late 1980s. Indeed, these periods saw attempts at joint diplomacy with respect to both arms control and regional conflicts. Although these attempts failed on the whole in the 1970s, they achieved some success in the late 1980s, as the cognitive and domestic convergence became considerably more meaningful (that is, even before the collapse of Soviet power and the end of bipolarity in the early 1990s).

Let us now define the dependent and independent variables of this model and the rationale for the linkages between them.

Contrasting Two Ideal Types of Collaborative Arrangement

Spontaneous-Negative and Deliberate-Affirmative

Despite the theoretical attention recently directed toward the issue of international cooperation,[28] cooperation theory has failed to distinguish between levels, degrees, and types of cooperation.[29] I will distinguish between two ideal types[30] of forms of cooperation (*spontaneous* and *deliberate*) and between two substantive types of conflict management (cooperation during *crises* [crisis management] and cooperation in conflict resolution, which extends beyond the time of a particular crisis and thus occurs mostly during more *normal* periods of diplomacy). Moreover, I will link these two distinctions by arguing that cooperation in crisis management tends to take the spontaneous form, whereas cooperation in conflict resolution tends to fit the explicit, deliberate type. The major dependent variables of this study, then, are (1) tacit rules for crisis management and regulation of the use of force and (2) concerted diplomacy in conflict resolution.

Cooperation often results from a conscious design of one or more of the parties. Yet cooperation can also emerge spontaneously in the absence of such a design and at least initially may even be unintended by the interacting actors.[31] Such self-generating cooperation is likely to emerge internationally if the adversaries have converging interests in addition to their conflicting ones.[32] Whereas deliberate cooperation tends to be explicit and reached by negotiations, spontaneous cooperation is closely associated with tacit arrangements that are reached even in the absence of direct, verbal communication between the parties.

Conscious cooperation in an international regime tends to rest on a common cognitive, and/or normative framework—in the terminology of the regime literature it is said to be based on shared *principles* and

[28] See, e.g., the sources cited in fn. 6 in relation to the literature on cooperation under anarchy.

[29] See, e.g., the sources (Jervis, George, and Haggard and Simmons) cited in fn. 10.

[30] According to Max Weber, an ideal type is an arrangement of selected attributes detached from their contingent circumstances. See Weber, *Methodology of the Social Sciences* (Glencoe, Ill.: Free Press, 1949), 89–110; and idem, *Economy and Society* (Berkeley: University of California Press, 1978), 20–22, 57–58. According to this definition, we could expect that some elements in each ideal type might be missing or appear in a different form in the real world.

[31] The distinction here draws primarily on Friedrich Hayek's distinction between two sources of order. See Hayek, *Law, Legislation, and Liberty*, vol. 1, *Rules and Order* (Chicago: University of Chicago Press, 1973). I also draw on the categorizations in Oran Young, "Regime Dynamics: The Rise and Fall of International Regimes," in Krasner (fn. 5), 98–101; George W. Downs, David M. Rocke, and Randolph M. Siverson, "Arms Races and Cooperation," *World Politics* 38 (October 1985); and George et al. (fn. 10), esp. chaps. 26, 27, 29.

[32] I draw here on Thomas Schelling's theory of interdependent decisions. See Schelling, *The Strategy of Conflict* (Cambridge: Harvard University Press, 1960), chaps. 1–3.

norms.[33] Conversely, a spontaneous arrangement might consist only of rules and procedures and not necessarily include principles and norms. Although such rules and procedures might suffice for effective coordination, the arrangement would lack the cognitive consensus of a full-blown regime and its attendant high level of cooperation. It would more likely be "situationally determined" rather than a product of shared beliefs and values.[34] Such cooperation could be achieved by unilateral moves of the parties that follow what Lindblom called "partisan mutual adjustment."[35] Such cooperation is frequently negative: while not all the parties prefer the same outcome, they agree that there is at least one outcome that all want to avoid. By contrast, collaboration in an explicit regime tends to be affirmative: the actors share an interest in ensuring a particular outcome.[36]

Although the contrast between spontaneous and deliberate cooperation could apply in principle to a number of disciplines in the social sciences (psychology, labor-management relations, sociology), it has a special relevance for international relations and cooperation theory, since international cooperation is so important yet so difficult to achieve in the domain of conflict management.

Crisis Management versus Conflict Resolution

Indeed, in an hour of crisis the intensity of the rivalry and the time constraints preclude simple resolution of the fundamental conflict. Nevertheless, tacit understandings and self-generating rules can be sufficient for avoiding war even if the fundamental conflict was not settled and the parties could not agree explicitly on the rules and on the situation-related outcome. Thus, the United States and the Soviet Union managed to avoid war in the Berlin crisis of 1961 through the West's tacit, de facto acquiescence to the establishment of the Berlin Wall and Moscow's dropping its deadline for resolving the conflict. Not until ten years later were

[33] Krasner (fn. 5) defines regimes as "sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations" (p. 2). I rely here especially on the work of Ruggie (fn. 5), who suggests that norms and principles constitute a regime's normative framework (p. 200). Rules and procedures are, by contrast, the instruments of a regime and are strongly affected by the power relations between the participants.

[34] On the term "situationally determined," see Spiro Lastis, cited in Keohane (fn. 6, 1984), 27–28. While discussing spontaneous cooperation, both Schelling (fn. 32), chaps. 3, 4 (esp. pp. 71, 75) and Axelrod (fn. 4) highlight the influence of situational factors.

[35] Charles Lindblom, *The Intelligence of Democracy* (New York: Free Press, 1965), 28–29; Lindblom defines a "partisan decisionmaker" on pp. 3, 9.

[36] On the distinction between collaboration out of common interests and coordination due to common aversion, see Arthur Stein, "Coordination and Collaboration: Regimes in an Anarchic World," in Krasner (fn. 5). He also provides references to scholars who distinguish between positive and negative kinds of cooperation (p. 130 n. 27).

the powers able to reach an explicit agreement on the status of Berlin, and only in 1975 did they conclude the Helsinki Accords on a general settlement in Europe. Even then the U.S. maintained its explicit rejection of the division of Europe and its support for taking down the Berlin Wall and for the eventual unification of Germany.

Even at the moment of confrontation, of course, explicit negotiations may be going on as well. Thus, Kennedy and Khrushchev communicated quite often during the Cuban missile crisis and eventually reached an agreement on withdrawing the Soviet missiles in return for a U.S. pledge not to invade Cuba. Schelling points out that bargaining occurs even while wars are in progress, as has been seen especially in the limited wars of the post-World War II period.[37] Indeed, not only threats but also promises are signaled during crises;[38] Snyder and Diesing, for example, provide evidence of attempts at accommodation and settlement in the hour of crisis.[39] Nevertheless, following the logic of the above-suggested definition, the dominant elements in a crisis, at least in its initial stage, include threats to use force, shows of force, manipulation of the risk of war, measures short of war, coercive diplomacy, and fear of escalation;[40] and the main cooperative component is the negative nature of war avoidance or at best tacit, ad hoc arrangements, as in the Cuban missile crisis.

By contrast, when parties attempt to resolve a conflict in noncrises settings, they go beyond a negative type of arrangement in order to "formalize a settlement of the underlying issue in conflict."[41] Not only is there an avoidance of a certain outcome, but the parties also seek to achieve a set of common goals.[42] This focus on affirmative cooperation is especially relevant for a concert or a regime, although competition and conflict will continue even in such high-level collaborative arrangements.

This distinction between crisis cooperation and joint diplomacy in noncrisis periods corresponds to the above differentiation between the two ideal types of collaborative arrangement. Crisis management parallels the tacit, common-aversion, self-generating type of collaboration;

[37] See Schelling (fn. 32), 53–81.

[38] On promises, see Schelling (fn. 32), 43–46, 131–37, 175–77.

[39] On the accommodative element in crisis bargaining, see Snyder and Diesing (fn. 1), 243–80.

[40] For an extended discussion, see Schelling (fn. 32), 35–125; Phil Williams, *Crisis Management* (London: Martin Robertson, 1976); and Snyder and Diesing (fn. 1), 211–51.

[41] See Snyder and Diesing (fn. 1), 10, 18. See also Fen Hampson and Brian Mandell, "Managing Regional Conflict: Security Co-operation and Third Party Mediators," *International Journal* 45 (Spring 1990), 192–93 n. 2.

[42] A somewhat related argument is advanced by Snyder and Diesing (fn. 1), 248. Their impression is that the pattern of many more backdowns than compromises is more characteristic of crisis interaction than of noncrisis bargaining.

onflict resolution fits the explicit, affirmative, and deliberate sort of arangement. Table 1 contrasts the two arrangements.

In crisis management states try to advance or protect their interests by oercive threats and maneuvers—which necessarily poses the prospect of var—without actually raising the risk of war to an intolerable level.[43] The more specific dependent variable here is the emergence of tacit rules hat address the two dimensions of crisis management through the regılation of the threat and the use of force by the powers, their military ntervention, and the nature of "legitimate" response to other powers' hreats to use force. The tacit rules establish the range of conduct each tate will tolerate from the other in the absence of a world authority. It s the recurrence of similar situations that can turn unilateral actions and ›arallel behavior into tacit rules, even if this had not been the intention ›f the actors and even, in fact, if they are not aware of these rules.[44] Nonetheless, evidence for the existence of these rules can be gleaned rom regularities in the actors' behavior. These tacit codes of conduct are n a sense heuristic constructs to the extent that they only approximate eality and are not an explicit set of norms that guides decision makers;[45] hey are, rather, something more apparent to the outside analyst. Neither lo these conventions come from the realms of international law, moralty, diplomacy, or public rhetoric. Precedents, emerging traditions, reurring patterns of behavior, and lessons of the past all help to create xpectations about the limits of permissible behavior and, concomitantly, o define what is intolerable and destabilizing.[46]

Unspoken understandings about the regulation of force are particuırly helpful when adversaries have intense conflicts of interests and are ffected by the security dilemma but would still prefer to avoid war. Here, termination of the rivalry, settlement of disputes, shared beliefs, nd common morality or even converging perceptions are not essential. By contrast, such factors are necessary for the emergence of the other lependent variable: cooperation in conflict resolution. When states conert their diplomacy for that purpose, they move beyond the managenent of the use of force to deliberate negotiations for settling the funlamental issues in dispute. One major application in international

[43] See Snyder and Diesing (fn. 1), 451. On the definition of crisis management, see also ieorge (fn. 13, 1991), 3–27; and Williams (fn. 40), 27–32.

[44] See Bull (fn. 13), 211.

[45] See Yair Evron, "Great Power Military Intervention in the Middle East," in Milton eitenberg and Gabriel Sheffer, eds., *Great Power Intervention in the Middle East* (New York: ergamon, 1979), 22.

[46] See Paul Keal, *Unspoken Rules and Superpower Dominance* (London: Macmillan, 1983), -3; John Gaddis, "The Long Peace: Elements of Stability in the Postwar International Sys'm," *International Security* 10 (Spring 1986), 132–33; and Williams (fn. 40), 200.

TABLE 1
COMPARISON BETWEEN TWO MODES OF COOPERATIVE ARRANGEMENT

	Self-Generating	*Deliberate*
Components	rules and procedures	principles, norms, rules, and procedures
Communication	tacit	explicit
Origins	spontaneous (might be initially unintended)	negotiated or imposed agreements
Nature	negative-avoidance	positive-affirmative
Objectives	avoid an unwanted outcome	achieve a set of goals
Scope	limited	broad
Institutionalization	unnecessary, ad hoc	necessary
Interdependence between parties	objective-structural	subjective-cognitive
Interdependence with other issue-areas	low	high
Normal behavior	competitive, unilateral, and parallel moves, mutual adjustments	joint consultations and decision making; collective actions (elements of competitive-balancing cai also persist)
Effects on behavior and outcomes	depend on patterns of power and interests but have some restraining influence	can modify behavior, interests, and power but limited by the anarchic structure of the international system
Application to conflict management	crisis management; regulation of use of force	regimes, concerts, conflict resolution, crisis prevention
Explanation of origins	situational factors; balance of interests; distribution of capabilities	a shared cognitive-normative framework
Relations among the great powers	tacit recognition of spheres of influence, of the status quo and equality	explicit acceptance of a coequal status; multilateral approach; collective diplomacy; joint management of the international system

politics is a great power concert that attempts to resolve major conflicts both among the great powers themselves and among third parties.

Such concerted diplomacy is not essential for successful crisis management, but it can be very helpful in preventing crises among the concert members themselves in the first place, and thus it minimizes the probability of crises and the danger of failures of crisis management.[47] But concerted diplomacy by itself cannot guarantee effective crisis management. Once some or all of the concert members are drawn into a war-threatening confrontation, the effectiveness of their crisis management under anarchy will also depend at least in part on the structure of the situation; indeed, this dependence creates the possibility (obviously, not the certainty) of "inadvertent wars" under certain structural conditions.

The next section addresses the linkages between the dependent and independent variables by discussing why structural factors should be especially influential with respect to the emergence of tacit rules for crisis management, whereas unit-level elements are critical for cooperation in conflict resolution.

Structural Factors and Crisis Management

What are the expectations of structural theory about states' international behavior[48] and why should these expectations most likely be met in times of crisis?

Security Interests

Security interests, however defined and however difficult to operationalize, are expected to dominate state behavior.[49] By contrast, ideological aspirations and idiosyncratic worldviews of certain statesmen and polit-

[47] On the distinction between crisis management and crisis prevention, see Alexander George, ed., *Managing U.S.-Soviet Rivalry: Problems of Crisis Prevention* (Boulder, Colo.: Westview Press, 1983), 365–69; and George et al. (fn. 10), esp. chap. 23. In crisis management the cooperation starts after the parties have already been drawn into a war-threatening confrontation. The collaboration is reflected in an effort to prevent the outbreak of a major war. By contrast, in crisis prevention the collaboration should begin before the participants find themselves in a crisis situation, that is, they head off crises by controlling the escalation of their competition into dangerous confrontations.

[48] In presenting the ideal type conditions under which systemic or structural explanation will be most useful, I draw mainly on the works of Waltz (fn. 1, 1979); and Robert Jervis, *Perception and Misperception in International Politics* (Princeton: Princeton University Press, 1976), chap. 1. They do not, however, make explicit some of these conditions in the same way as is done here.

[49] Structural theory does not expect, however, that states will necessarily be interested in power maximization. This is one of the key differences between old realists, e.g., Morgenthau (fn. 16), 215, and neorealists or structural theorists such as Waltz. On this point, see Waltz (fn. 1, 1979), 118, 126; idem (fn. 5), 334; Posen (fn. 1), 68.

ical parties or particularistic interests of certain groups and politicians do not play a central role.

It is reasonable to expect that national rather than parochial interests will tend to dominate the policy-making process of a cohesive state more in times of severe external threat than in noncrisis settings.[50] Reflecting on his experience in crisis management, Henry Kissinger remarks that "personality clashes were reduced; too much is usually at stake for normal jealousies to operate."[51] And as Sidney Verba suggests:

> The greater the sense of stress, the greater will be the legitimacy of the over-all norms of the system and the greater the illegitimacy of parochial norms. Furthermore, the greater the emergency, the more likely is decision-making to be concentrated among high officials whose commitments are to the over-all system. Thus it may be, paradoxically, that the model of means-ends rationality will be more closely approximated in an emergency when the time for careful deliberation is limited. Though fewer alternatives will be considered, the values invoked during the decision period will tend to be fewer and more consistent, and the decision will less likely be the result of bargaining within a coalition.[52]

And Patrick Morgan argues that in times of crisis more than at other times, we can expect leaders to put aside personal differences, career concerns, and bureaucratic and domestic interests, thus permitting a dispassionate analysis of possible courses of action on their merits.[53] As for ideology, even during the height of the cold war "the Soviet Union in crisis became Russian, and American policy, liberal rhetoric aside, came to be realistically and cautiously constructed. By the force of events, they and we were impelled to behave in ways belied both by their words and by ours."[54]

Especially in the nuclear age, the avoidance of a major war has become a critical interest of the superpowers (although great powers in the past

[50] This is the expectation not only of realists and many deterrence theorists but also of some students of organizational behavior. See Ole Holsti, "Crisis Decision Making," in Philip Tetlock et al., eds., *Behavior, Society and Nuclear War* (New York: Oxford University Press, 1989), 15–18.

[51] *Time*, October 15, 1979, p. 71.

[52] Verba, "Assumptions of Rationality and Non-Rationality in Models of the International System," *World Politics* 14 (October 1961), 115.

[53] Morgan, *Deterrence: A Conceptual Analysis*, 2d ed. (Beverly Hills, Calif.: Sage Publications, 1983), 180. For supportive evidence, see Glenn Paige, "Comparative Case Analysis of Crisis Decisions: Korea and Cuba," in Charles Hermann, ed., *International Crisis: Insights from Behavioral Research* (New York: Free Press, 1972); Williams (fn. 40), 68–69; and Hannes Adomeit, *Soviet Risk Taking and Crisis Behavior* (London: Allen and Unwin, 1982), 48–49.

[54] Waltz (fn. 1, 1979), 173. More specifically, while explicitly disavowing division into spheres of influence on ideological grounds, Moscow and Washington have recognized de facto the other's sphere of influence during periods of crisis. See Keal (fn. 46).

also occasionally attempted to avoid general wars because of their extremely high costs).[55] According to the conception of crisis management presented above, decision makers will be concerned during crisis periods not only with defending vital security interests but also with war avoidance. Indeed, Snyder and Diesing have found that during a crisis decision makers pay more attention to avoiding war than to maximizing the benefits to be gained from the use of force.[56]

Similar Patterns of Conduct

We should expect similar patterns of conduct from states that are located similarly in the system (namely, that share the same category of power capabilities) and that face similar types of external pressures, even if these states have different ideologies or domestic regimes. The structural explanation of such similarity is international socialization and competition; that is, "competition spurs the actors to accommodate their ways to the socially most acceptable and successful practices."[57]

Such similarity is more typical of crisis situations. As Wolfers asserts, the greater the external compulsion, the greater the similarity in the actors' behavior:

> Imagine a number of individuals, varying widely in their predispositions, who find themselves inside a house on fire. It would be perfectly realistic to expect that these individuals, with rare exceptions, would feel compelled to run toward the exits. General fears of losing the cherished possession of life, coupled with the stark external threat to life, would produce the same reaction, whatever the psychological peculiarities of the actors. Surely, therefore, for an explanation of the rush for the exits, there is no need to analyze the individual decisions that produced it.[58]

Although psychologists generally tend to underline the effects of personality traits, some of them agree with the logic of situational determinism. Mark Snyder and William Ickes suggest that the more powerful the situation, the greater the uniformity of actors' behavior: "Because strong situations should shift the cause of behavior from a dispositional locus to a situational one, measures of traits and dispositions should typically predict behavior better in weak situations than in strong ones."[59]

[55] See Geoffrey Blainey, *The Causes of War* (New York: Free Press, 1973), 121.

[56] Snyder and Diesing (fn. 1), 280.

[57] See Waltz (fn. 1, 1979), 77. For an example of Soviet emulation of American roles as a superpower, see Christer Jonsson, *Superpower: Comparing American and Soviet Foreign Policy* (New York: St. Martin's Press, 1984), 22–23.

[58] See Wolfers (fn. 23), 13.

[59] Snyder and Ickes, "Personality and Social Behavior," in Gardner Lindzey and Elliot Aronson, eds., *Handbook of Social Psychology*, 3d ed. (New York: Random House, 1985), 2:904. For empirical support in military psychology for the proposition that as conditions

It follows from this that the greater the level of the external threat, the more important will be the effect of the international environment on the behavior of states in comparison with those effects during more normal periods. Thus, in the hour of crisis, when external pressures on the state are unusually powerful, international factors (such as the distribution of capabilities in the international system) should exercise greater influence than usual on states' actions. As Wolfers puts it: "The closer nations are drawn to the pole of complete compulsion, the more they can be expected to conform in their behavior and to act in a way that corresponds to the deductions made from the states-as-actor model."[60]

The Unitary Actor

The state is expected to behave as a unitary actor; that is, a single preference function governs decision making.[61] A structural analysis would be especially useful where there is a high degree of consensus among the state's foreign policy elite. Such a consensus, where it exists, shows that neither domestic and bureaucratic politics nor individual-level factors necessarily explain outcomes and behavior.[62] Rather, the state reacts to external threats and stimuli as a cohesive unit, carrying out coherent policies made by its top leadership.

Theoretically, the unitary actor model is most legitimate in studies of a state's most critical decisions—those that deal with war and peace[63]—which are most notably made in times of crisis. Indeed, crises are pivotal situations seen by analysts as either preludes to war[64] or, under certain conditions, surrogates for war.[65] According to Snyder and Diesing: "It is useful to conceive of a crisis as an intermediate zone between peace and

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become more threatening and stressful, situational variables will explain the observed behavior better than an analysis of personality dispositions, see especially the studies of Reuven Gal, "Courage under Stress," in Shlomo Breznitz, ed., *Stress in Israel* (New York: Van Nostrand Reinhold, 1983); and idem, "Combat Stress as an Opportunity: The Case of Heroism" (Paper presented at the Northeast Regional Conference of the Inter-University Seminar on Armed Forces and Society, Albany, N.Y., 1985). Gal concludes that situational and circumstantial characteristics are more important than the individual's personal qualities in explaining acts of combat bravery, notably, in some of the battles of the Yom Kippur War.

[60] See Wolfers (fn. 23), 16.

[61] On the maxims of a state-as-actor (or a unitary actor) model, see Wolfers (fn. 23), 3–24.

[62] See Jervis (fn. 48), 23–24.

[63] See Verba (fn. 52), 115; Bruce Bueno de Mesquita, *The War Trap* (New Haven: Yale University Press, 1981), 16, 27–29; Paul Huth and Bruce Russett, "What Makes Deterrence Work? Cases from 1900 to 1980," *World Politics* 36 (July 1984), 498–99; and Patchen (fn. 19), 19–22.

[64] See Lewis Richardson, *Arms and Insecurity* (Chicago: Quadrangle, 1960); and Quincy Wright, *A Study of War*, 2d ed. (Chicago: University of Chicago Press, 1965), 1272.

[65] See Waltz (fn. 1, 1964), 883–84; and Coral Bell, *The Conventions of Crisis: A Study in Diplomatic Management* (Oxford: Oxford University Press, 1971), 115–16. Indeed, in the postwar era crises became a surrogate for war because of bipolarity and the nuclear revolution.

var. Almost all wars are preceded by a crisis of some sort, although of ourse not all crises eventuate in war."[66]

It is a widely held and well-researched empirical supposition that in eriods of crisis, decision making tends to be centralized in the hands of op leaders.[67] The rallying around the flag that typically occurs in times f crisis both in democracies[68] and in centralized regimes[69] makes it posible for decision makers to pursue policies that are more dovish or more awkish than what the public or their advisers advocate. Statesmen can nstead respond to the external situation more freely than is normally the ase. Because crisis situations are times of threat, high stakes, the likeliood of war, and often severe time constraints, the bureaucracy is congned to a lesser role than it plays in routine matters.[70] Furthermore, igh-level policymakers tend to reach a greater degree of consensus in risis settings than in normal times. One observer points out that the train towards agreement" is strongest during times of crisis.[71] Alough most of the research has been done on the American decisionaking process, Adomeit reports:

> One of the surprising realizations after studying a number of international crises is the degree to which Soviet behavior seems to follow engrained

[66] See Snyder and Diesing (fn. 1), 10.

[67] See Verba (fn. 52), 115; Williams (fn. 40), 66; Snyder and Diesing (fn. 1), 511; Michael echer, *Decisions in Crisis: Israel, 1967 and 1973* (Berkeley: University of California Press, 80), 377; and Adomeit (fn. 53), 48. More precisely, crisis decisions tend to be reached by ad c decisional units, composed of the chief executive and a selected group of advisers rather an the formal organizational machinery normally used to conduct foreign policy. See enn Paige, *The Korean Decision* (New York: Free Press, 1968), 281; and Williams (fn. 40), –67.

[68] See Kenneth Waltz, *Foreign Policy and Democratic Politics: The American and British perience* (Boston: Little, Brown, 1967), 274–75. See also Bruce Russett, *Controlling the ord: The Democratic Governance of National Security* (Cambridge: Harvard University ess, 1990), chaps. 2, 3.

[69] See Adomeit (fn. 53), 38.

[70] See Harold Wilensky, *Organizational Intelligence* (New York: Basic Books, 1967); Holsti d George (fn. 9), 297; Williams (fn. 40), 66–67; Snyder and Diesing (fn. 1), 512, conclude at the degree of lower-level involvement does vary across cases, in general, in inverse ratio the brevity and severity of the crisis. Both Robert Art, "Bureaucratic Politics and American reign Policy: A Critique," *Policy Science* 4 (December 1973), 477–79, and Jervis (fn. 48), , underline the centrality of the president in all major postwar U.S. foreign policy decisions. idence on the Soviet side is sketchy but on the whole indicates a similarly high degree of ntrol by the highest-level decision makers. See especially Adomeit (fn. 53), 38. Recent revtions about the Cuban missile crisis underline the critical role of the two top decision akers, Kennedy and Khruschev, in the management of the crisis. See James Blight et al., he Cuban Missile Crisis Revisited," *Foreign Affairs* 66 (Fall 1987).

[71] See Schilling (1962), 23, cited in Williams (fn. 40), 69. See also the literature surveys in olsti and George (fn. 9), 285–93; and Arthur Stein, "Conflict and Cohesion," *Journal of nflict Resolution* 20 (1976), 143–72. This conclusion is consistent with the insight of George mmel and Lewis Coser about the cohesive effects of an external threat. See Simmel, *Conflict* lencoe, Ill.: Free Press, 1955); and Coser, *The Functions of Social Conflict* (New York: Free ess, 1956).

patterns of action—as if there existed a broad consensus about operational principles in foreign policy. This realization is even more surprising given important differences at all levels of Soviet domestic politics since World War II. . . . [W]hereas Soviet foreign policy in general is almost invariably affected by domestic controversy and conflict, Soviet decision-making in international crises will typically demonstrate a "rallying around the flag," the concentration of decisions in the hands of a select executive committee, the restoration of important elements of centralization, and a return to traditional reflexes and responses.[72]

The greater consensus among officials can be explained in part by Holsti's findings that differences in perceptions among decision makers decrease as tensions increase.[73] Growing consensus is also related to the above-mentioned predominance of security interests in times of crisis.

External Stimuli

The state should be responsive to external stimuli, taking into account its essential security interests and its sensitivity to new information from the international environment. It is sufficient here to assume that in responding to minimal state interests,[74] leaders act according to modest definitions of rationality rather than according to the comprehensive rationality and expected utility models.[75] (Such modest definitions refer to Waltz's assumption about the desire of states to survive in a competitive self-help system, Snyder and Diesing's "bounded rationality," and Feldman's "sensitivity to costs.")[76] A minimalist conception of rationality is defined here as the extent of a state's sensible reaction to threats and opportunities in the external environment in order to protect its security interests, as opposed to a concern about bureaucratic needs, political as-

[72] Adomeit (fn. 53), 49.

[73] Ole Holsti, "Individual Differences in 'Definition of the Situation,' " *Journal of Conflict Resolution* 14 (September 1970), 303–10.

[74] On the concept of national interest and the problems in defining and operationalizing it, see the useful discussions in Bernard Brodie, *War and Politics* (New York: Macmillan 1973), chap. 8; and Alexander George and Robert Keohane, "The Concept of National Interests: Uses and Limitations," in George (fn. 9).

[75] A representation of comprehensive rationality is Allison's Model I (fn. 9), 10–38. For a more recent definition of rationality, consult Bueno de Mesquita (fn. 63), 29–33, who sees leaders as strong rational calculators of expected utility. See also Huth and Russett (fn. 63) 499.

[76] See Waltz (fn. 1, 1979), 118; Snyder and Diesing (fn. 1), 342–48, 507; and Shai Feldman *Israeli Nuclear Deterrence* (New York: Columbia University Press, 1982), 145. The tradition of bounded rationality goes back to James March and Herbert Simon's "satisficing"; see March and Simon, *Organizations* (New York: Wiley, 1958). For a recent discussion of rational-choice and bounded rationality, see Keohane (fn. 6). Recent studies that support the logic of the "sensitivity to costs" thesis include John Mearsheimer, *Conventional Deterrence* (Ithaca, N.Y.: Cornell University Press, 1983); and Posen's study of military doctrine (fn. 1).

irations, and ideological beliefs that are irrelevant to the situation at and.[77]

Under frequently ambiguous, uncertain, and complex international ircumstances, however, some degree of misperception and misjudgment rising from human fallibility is assumed.[78] A major influence on the vel and intensity of misperceptions, as well as on their consequences egarding state behavior in foreign affairs, is the clarity and simplicity of e international environment. Indeed, there are great variations in this spect among different international environments, according to their ructure: some international structures foster misperceptions, whereas hers minimize the likelihood, or at least the effects, of misperceptions. other words, the international structure *conditions* the level and influce of misperceptions and miscalculations.

This proposition can reconcile the competing claims in the debate on tionality in crises. Indeed, there are both theoretical and empirical disgreements on the impact of crises on performance. Theoretically, reals, many students of deterrence,[79] and also some organizational theorists ggest that decision making in times of crisis tends to be more rational an decision making in noncrisis settings. By contrast, theories that fos on the individual and small-group levels are much less optimistic out the quality of crisis decision making and suggest that it deteriotes in ways that it does not in normal settings.[80] There are also contractory empirical findings on the effects of crises on rationality.[81] By link-

[77] See also Snyder and Diesing's definition of rationality in the sense of information prosing (fn. 1), 332–39.

[78] The classic study of misperceptions in international politics is Jervis (fn. 48). See also m, *The Logic of Images in International Relations* (Princeton: Princeton University Press, 70), 132; and Ole Holsti, "Foreign Policy Formation Viewed Cognitively," in Robert Axod, ed., *The Structure of Decision* (Princeton: Princeton University Press, 1976).

[79] Such as Schelling (fn. 32).

[80] For a very useful overview of crisis decision making from the theoretical perspective of ur levels of analysis, see Holsti (fn. 50). For the adverse effects of causes at the level of the cision makers and of the bureaucracy, see the citations in fn. 9. James Blight, a psychologist ho specializes in nuclear crisis management, criticizes the overemphasis on psychological ctors in the work of Lebow and his associates (fn. 9); see Blight, "The New Psychology of ar and Peace," *International Security* 11 (Winter 1986–87).

[81] Compare the findings of the studies cited in fn. 9 with the evidence of, among others, uce Russett, "Pearl Harbor: Deterrence Theory and Decision Theory," *Journal of Peace search* 4 (1967), 89–105; Paige (fn. 67), 81–93, 292; Snyder and Diesing (fn. 1), 492; Brecher . 67); Janice Stein and Raymond Tanter, *Rational Decision-Making: Israel's Security Choices, 67* (Columbus: Ohio State University Press, 1980); Avi Shlaim, *The United States and the rlin Blockade 1948–1949* (Berkeley: University of California Press, 1983); Alan Dowty, *iddle East Crisis* (Berkeley: University of California Press, 1984); and also a number of crisis nulations (see Morgan [fn. 53] 181). Some major historical studies of the causes of war gue that even when the crisis escalates to war, it does not mean that decision makers behave rationally. See Michael Howard, *The Causes of Wars* (Cambridge: Harvard University ess, 1983), 14, 15; Blainey (fn. 55), 127, chap. 9; and Evan Luard, *War in International ciety* (New Haven: Yale University Press, 1986), chap. 5.

ing international structures with crisis behavior, however, one can address these conflicts among both theories and empirical findings.

On the whole, structural analysis should have especially great explanatory power in times of crisis because of the greater pressures exerted by the international environment.[82] More specifically, since the potential costs of overlooking international factors are greater in times of crisis than in normal times, high-level officials should pay more than usual attention to the international environment. Not only does the uncertainty accompanying crises stimulate a search for more information, notes Williams, but it ensures that

> existing information is thoroughly and critically assessed. Indeed, the available data are usually subjected to the most detailed scrutiny in an attempt to uncover every subtlety and nuance of the adversary's position. Although the information is partial and incomplete, therefore, maximum benefit is likely to be gained from it. In short, the task of processing and evaluating intelligence may be carried out more efficiently during crises than in non-crisis situations.[83]

Yet this attempt at gathering and evaluating information in no way assures that decision makers will meet the expectations of the comprehensive rationality model or will not suffer from misperceptions or miscalculations in times of crisis. It does imply, however, that the international structure mediates the intensity of misperceptions and affects their consequences in crisis periods more than in normal times. Thus, under the constraints of one type of structure (a bipolar world), states will behave more cautiously and moderately in times of crisis than in normal times, as the postwar record demonstrates. Yet in another sort of world—multipolarity—states might show less restraint and be less prudent in crisis than in noncrisis situations, as suggested by the cases of the Crimean War and World War I.[84]

[82] While explaining the sources of military doctrine, Posen (fn. 1) suggests that "in times of relative international calm we should expect a high degree of organizational determinism. In times of threat we should see greater accommodation of doctrine to the international system—integration should be more pronounced, innovation more likely" (p. 80; see also pp. 40, 59).

[83] Williams (fn. 40), 67–68. This view is shared by a number of organizational theorists such as Wilensky (fn. 70), 78, who argues that decision makers are more likely to search past the first "satisficing" alternative, and Verba (fn. 52), and to a lesser extent March and Simon (fn. 76), 116, who argue that the search for information under crisis conditions may be more extensive, if less productive.

[84] Karl Deutsch and J. David Singer point out that information overloading is more likely in a multipolar world than in one that is bipolar. See Deutsch and Singer, "Multipolar Power Systems and International Stability," *World Politics* 16 (April 1964). The case of World War I contradicts their argument, however, showing that rather than prompting policymakers to withdraw from confrontation, overloading can generate greater hostility and result in escalation and war. See Holsti (fn. 9), 81. At the same time, when multiple interpretations are

Indeed, according to the logic of balance-of-power theory, one might expect great powers to behave cautiously in those crisis situations where the potential costs of miscalculation or reckless behavior are very high and also patently clear to all parties.[85] In the face of countervailing force and resolve, states will behave not as power maximizers but as security and survival maximizers. Because of the relative clarity of the balances of interests and capabilities and of threats and responsibilities in two-power (bipolar) systems, the behavior of states will be particularly restrained under those circumstances. When these conditions are not met, however, states are more likely either to overreact to external threats, as was the case on the eve of World War I, or to underreact, as was the case in the late 1930s.[86]

The basic linkage between structural theory and crisis settings just discussed can benefit from two refinements. These refinements will draw on two general conditions for the usefulness of the structural level.

First, structures are expected to condition actors' behavior and constrain the processes in the system.[87] Therefore, according to structural theory, the outcomes of states' interactions (results) will often not correspond to the actors' desires and characteristics (purposes). Structural analysis should therefore be best at explaining the occurrence of unintended outcomes in international politics if it can be plausibly shown that the international structure is the cause of the low correlation between the intentions and attributes of the actors and international outcomes. Two types of unintended consequences should be distinguished: (1) the destabilizing effects of the security dilemma, which raise the level of conflict in the international system beyond the initial intentions of the actors; and (2) cooperative arrangements between rivals. At least initially these arrangements are spontaneous, unintended, and tacit and are explained by

possible and plausible, according to Jervis, no criterion of rationality can dictate a single conclusion. See Jervis (fn. 78), 132; and idem (fn. 48), 119. In comparison, bipolarity reduces both the overloading of policymakers and the ambiguity of the situation. Hence, to the extent that the two leading powers in bipolarity have strong incentives to avoid a general war (and these incentives are reinforced by the presence of nuclear weapons), the international structure facilitates tacit cooperation in crisis settings.

[85] For somewhat similar reasoning in the context of conventional deterrence, see the theory and case studies of Mearsheimer (fn. 76). For an argument related to the thesis developed here in the context of the nuclear age, see George Quester, "Some Thoughts on 'Deterrence Failures,' " in Paul Stern et al., eds., *Perspectives on Deterrence* (New York: Oxford University Press, 1989), 52–65. See also Howard (fn. 81), 22.

[86] On the unclarity of balances before the two world wars, see Robert Jervis, "War and Misperception," in Rotberg and Rabb (fn. 4). Thus, many of the misperceptions of the rivals' intentions and capabilities before the two world wars, suggested by Jervis, or at least the prevalence of the misperceptions in these crises, can be attributed to the multipolar structure of the pre-1945 era.

[87] See Waltz (fn. 1, 1979), chaps. 5–6.

the structure of the situation rather than by the goals and characteristics of the actors. Thus, unintended consequences can either stabilize or destabilize international systems irrespective of what states initially desire.

Indeed, the system level is especially useful for explaining unintended outcomes of crisis interactions, in particular, when ideologically moderate or status quo powers find themselves unintentionally at war with each other (all other things being equal, a multipolar world might make such an outcome more likely). And a bipolar system is critical when adversaries cooperate tacitly in managing global crises and terminating local wars.

Second, structural theory should be especially useful for explaining persistent outcomes and long-term modes of behavior—including patterns of wars, arms races, alliances, balancing behavior, equilibriums, conflict, and competition—rather than specific events and decisions. Indeed, structural constraints are especially powerful (1) in explaining crisis interactions rather than the decision making of a single state during a crisis and (2) more broadly, in accounting for general patterns of crisis behavior and outcomes rather than for variations in crisis behavior of specific leaders.

More specifically, the number of the great powers can provide a parsimonious explanation for the emergence or nonemergence of tacit rules for regulating the use of force. Furthermore, because certain types of crisis situation are less ambiguous than settings of normal diplomacy, they also make possible tacit, unintended cooperation among rivals even if these antagonists are unable and unwilling to collaborate in normal diplomacy.[88] The conditions of this less ambiguous kind of crisis situation are best met in a bipolar world (reinforced by the situation of MAD). Thus, the potentially destabilizing effect of postwar domestic changes (the growing influence of bureaucratic politics, domestic politics, and competing ideologies in Washington and Moscow) was negated by the transformation of the international system from one of multipolarity to one of bipolarity (reinforced by the emergence of nuclear deterrence). These international changes enabled superpower cooperation in crisis management; but they could not bring about explicit cooperation in normal diplomacy, a type of cooperation dependent on factors at the individual and state levels.

[88] More precisely, the *implications* of such crisis cooperation are unintended. These implications could include acceptance of the status quo and recognition of the rival's interests, equal status, and spheres of influence, even if all these elements are undesired and unacceptable *in normal times because of ideology or domestic politics or both.* On application of these elements to the postwar era, see the last section of this article.

Unit-Level Explanation of Cooperation in Normal Diplomacy

The connection between unit-level elements and normal cooperation, especially in conflict resolution, is reinforced by four factors.[89]

Constraints and Incentives

In normal diplomacy the structure provides both constraints against and incentives for cooperation. To begin with the constraints, because states are worried that cooperation for mutual gains may favor present partners, who may become potential opponents in the future, they are more concerned about relative gains than about absolute ones.[90] Hence, given the slightest suspicion that others might gain relatively more, major states would prefer to deny benefits to their competitors, even if that might entail self-denial, rather than have all win in absolute terms.

In some important ways a two-power world would appear especially inhospitable to joint action. The intensity of superpower competition in such a tight system reduces the probability of collaboration;[91] it also enables smaller powers to play off the world powers against each other in order to extract as much assistance as possible from both of them.

Nevertheless, a bipolar structure also produces powerful incentives and opportunities for great power cooperation. According to game theorists, the Prisoners' Dilemma and the collective goods problem are lessened as the number of players decreases.[92] Moreover, Waltz suggests that in comparison with powers in multipolar systems, the superpowers in the bipolar system are concerned less with scoring relative gains and more with making absolute ones;[93] thus, the Big Two are able to lead or support collective efforts, even though other states may gain disproportionately from them.

Nevertheless, although the small number of great powers and also the other structural factors are critical to crisis management and for reaching spontaneous, de facto understandings concerning the use of force, these

[89] In the first three factors, the setting and timing of the cooperation is normal periods (as opposed to crisis situations). The last point addresses the level and nature of cooperation—explicit joint actions of a concert of all the great powers. In principle, these can occur either in periods of crisis or in periods of noncrisis. Yet in this case the crisis would not be between the great powers themselves (as is the case regarding the linkage between the structure and tacit management) but between all the powers and third actors (as was the case in the Concert and in the recent crisis in the Persian Gulf).

[90] See Waltz (fn. 1, 1979), 105; and Grieco (fn. 16), 498–500.

[91] Waltz (fn. 1, 1964), 882–83; and idem (fn. 1, 1979), 171, 175.

[92] Oye (fn. 1), esp. 18–20, in his survey of the literature on game theory, considers the effect of the number of players. Olson (fn. 19), chaps. 1–2, argues that the more concentrated the distribution of capabilities within a group, the more likely that public goods will be provided. See also Hardin (fn. 19), chap. 3.

[93] Waltz (fn. 1, 1979), 195.

factors are *insufficient* by themselves to induce cooperation in conflict resolution. Thus, it is instructive that purely structural analyses that focus on the relations between the number of actors and cooperation tend to highlight those kinds of collaborative arrangements that are limited either to crisis management[94] or to a de facto, tacit division into spheres of influence.[95] In short, the structure by itself cannot determine the feasibility of diplomatic cooperation. A related point involves the apparently ambiguous stance of structuralists and game theorists regarding the relationship between the structure of the international system and cooperation.[96] This ambiguity can be resolved, however, by differentiating between degrees and types of cooperation. Although the feasibility of spontaneous-tacit collaboration is closely related to the number of actors, explicit-conscious collaboration depends mainly on factors below the system level.

Subjective Factors

In normal diplomatic bargaining there is greater subjectivity and sometimes even ambiguity as compared with the relative clarity of interests, alignments, capabilities, commitments, and risks in major military crises, especially in a bipolar system. To be sure, in a crisis it is very difficult to gauge a rival's military capabilities and especially his real objectives; but in normal times it is even harder to estimate his overall capabilities (including nonmilitary and nonquantifiable elements such as diplomatic skills, ideological appeal, alliance cohesion, allies' domestic stability, leverage over allies, and domestic support of international engagements), let alone his long-run intentions. Not only are objectives relatively narrow and specific in a crisis,[97] but the whole intelligence community is focused on understanding the rival under such conditions.[98] Moreover, in a crisis there is usually a phase of intense bargaining that, based even on minimal rationality or sensibility of the decision makers,[99] may clarify relative bar-

[94] Waltz (fn. 1, 1964), 884; and idem (fn. 1, 1979), chap. 8; Snyder and Diesing (fn. 1), chap. 6; Oye (fn. 1), 18–20. See also the examples of situation-related cooperation, introduced in Schelling (fn. 32); and Axelrod (fn. 6).

[95] See Waltz (fn. 1, 1979), chap. 9.

[96] For references on this point, see fn. 10 above.

[97] See Morgan (fn. 53), 180.

[98] There are, however, many obstacles to the effectiveness of such intelligence efforts, as Kurt Gottfried and Bruce Blair note. See Gottfried and Blair, *Crisis Stability and Nuclear War* (New York: Oxford University Press, 1988), 270–73.

[99] Snyder and Diesing have found that decision makers behave in crises according to bounded rationality or even according to some combination of utility maximization and bounded rationality. See Snyder and Diesing (fn. 1), 405–8; and Patchen (fn. 19), 103–8. On "sensible decision making," see Morgan (fn. 53), chap. 5.

·.[100] Normal bargaining is, by contrast, less intensive and thereby more likely to be influenced by bureaucratic poli-ive biases.[101]

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ngs involve a wider range of values than crisis situations. the focus is on security; in normal periods states are also ther goals such as economic prosperity, social welfare, dip-ge, and ideological imperatives. It is easier to achieve con-ne objective is preservation of the state's security, although, e are often intensive debates on the best means of achieving ne whole, it makes sense and is relatively easy to structure nces in crisis settings according to game-theoretical payoffs isoners' Dilemma.[102] But in normal times there is a much ,on of needs and preferences both within and between nfluenced by beliefs and ideologies and is not easily cap-'amework of cooperation under anarchy.

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cooperation in normal diplomacy, appropriate conditions el are indispensable. Although during a crisis the number l decisively affect the ability of rivals to communicate tac-ch situation-related agreements (because the clarity of the critical under the conditions of high tension and pressure), f the situation cannot, by itself, lead to joint action in nor-iere are domestic or ideological constraints. Whereas com-, at least, converging perceptions are not essential for the le (inasmuch as the conducive structural factors are pres-isis coordination, they are necessary for the much more of conflict resolution.[103] Indeed, high-level cooperation be-

nd Diesing (fn. 1), 248–49; and Patchen (fn. 19), 298–300.

tend to resist perceptual change, the less dramatic the external event, the generate such a change. On leaders' resistance to perceptual change, see der and Diesing (fn. 1), chap. 4; and Patchen (fn. 19), 90. On bureaucratic n Halperin, *Bureaucratic Politics and Foreign Policy* (Washington D.C.: ion, 1974).

nd Diesing (fn. 1); Steven Brams, *Superpower Games: Applying Game The-Conflict* (New Haven: Yale University Press, 1985); and Patchen (fn. 19),

' in beliefs and values as facilitating cooperative resolution of conflicts, see 58–59, 374, 378. On the positive influence of common values on interna-, see also Bull (fn. 13), 16, 33, 226–27, 316–17; Ruggie (fn. 5); and Jervis's ique of the PD literature, including some of his own previous work. Yet 'mpt to distinguish between those types of cooperation better explained by

tween all the great powers, as in a security regime or a concert, requires a minimum degree of moderation and common values, or at least converging beliefs and perceptions.[104]

The Superpowers in the Postwar Era: Tacit Cooperation during Crises and Fluctuations in Noncrisis Settings

I will now illustrate the usefulness of the linkages between the causal factors at the different levels of analysis, on the one hand, and the crisis versus noncrisis settings, on the other, for understanding the behavioral patterns and policies of the superpowers in the postwar era. Structural theory cannot account for the variations in superpower diplomacy in the postwar era, either regarding changes in their individual policies or the interactions between them. Indeed, whereas superpower behavior and interaction in crisis settings (particularly following the tacit rules) accord well with structural expectations, the characteristics of their normal diplomacy correspond to the types of outcome that unit-level analysis is most useful at explaining.[105]

Modes of Cooperation

The most critical aspect of superpower cooperation in crisis management was that it tended to take the tacit, spontaneous, and avoidance form.

This mode of cooperation contributed not only to the avoidance of war between the superpowers but also to the termination of regional wars such as those between the Arabs and Israel.[106] Yet superpower cooperation in normal diplomacy focused on explicit agreements (most notably over arms control, but also over Berlin and European security). Moreover, to go beyond crisis management to diplomatic coordination and conflict resolution, as the superpowers attempted to do repeatedly in the Middle East,[107] required a deliberately joint action; and this proved much more difficult than the tacit cooperation that was achieved during crises.

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the PD (that is, by structural factors) and those types of cooperation better accounted for by values and morality.

[104] For a recent discussion, see Kupchan and Kupchan (fn. 13).

[105] This section is largely based on my findings in Benjamin Miller, "Can Opponents Cooperate: Explaining Great Power Cooperation in Managing Third Area Conflicts" (Ph.D. diss., University of California, Berkeley, 1988).

[106] See Benjamin Miller, "International Relations Theory and U.S.-Soviet Conflict Management in the Middle East: Surprises, Accomplishments, Limitations," in Steven Spiegel, ed., *Conflict Management in the Middle East* (Boulder, Colo.: Westview Press, 1992).

[107] For a recent analysis of these attempts, see Miller (fn. 22).

TTERNS OF CONDUCT: PERSISTENT OR VARIED

perpower crisis behavior followed persistent patterns (of restraint); eir normal diplomacy showed variation.

Structural theory is most useful when analysts can observe recurring namics and persistent outcomes. In times of crisis the U.S. and the viet Union repeatedly adhered to tacit rules for regulating the use of ce or at least followed persistent patterns of restraint. Thus, in re- nal conflicts in which both superpowers had important interests and se allies but did not agree on their balance of interests, each super- wer was "allowed" to intervene militarily if such intervention was med necessary to prevent the total collapse of its regional client. Since erms of the global balance of power, the collapse of an allied govern- nt meant a loss to its patron, the balance of motivation—or stakes— rly shifted at this point in favor of the patron supporting the loser. e rules of the game suggested that this asymmetry in the balance of erests made it both legitimate and credible for the patron of the loser hreaten to use force in order to prevent the collapse of its client. The ron of the winner, for its part, was expected to restrain its client while he same time deterring the other superpower from military interven- . More credible was the threat that the loser's patron would intervene if e winner's patron was unable or unwilling to restrain its client. As g as the intervention remained defensive, it should have been accept- to the winner's patron. The Middle East constituted the foremost mple of the operation of this kind of rules.[108]

There was much greater differentiation and much less consistency, ever, in superpower interaction in normal diplomacy, with ups and ns ranging from intensified hostility to détente.[109] Similarly, analysts e discerned considerable differences in the normal (noncrisis) Soviet cies of different U.S. administrations, even though all these admin- ations observed the rules of prudence during times of tension.[110] Such nsistencies in normal diplomacy can be explained, in turn, by cog-

See Miller (fn. 105), chap. 7.

On the evolution and phases of U.S.-Soviet relations, see Joseph Nye, Jr., ed., *The Mak- f America's Soviet Policy* (New Haven: Yale University Press, 1984), chaps. 9–12; and Horelick, ed., *U.S.-Soviet Relations: The Next Phase* (Ithaca, N.Y.: Cornell University , 1986), chaps. 1–3.

On differences in the Soviet policies of various administrations, see John Gaddis, *Strat- of Containment* (New York: Oxford University Press, 1982); and Seyom Brown, *The of Power: Constancy and Change in United States Foreign Policy from Truman to Reagan* York: Columbia University Press, 1983). The inconsistency and incoherence of U.S. t strategy is especially underlined in Nye (fn. 109).

nitive factors, most notably the image of the opponent, and in the American case also the nature of the domestic system.[111]

Patterns of Interaction: Unintended or Intended

The patterns of U.S. and Soviet crisis interaction were not only persistent but also unintended, or at least unanticipated, whereas patterns of normal diplomacy reflected much more the actors' intentions and domestic attributes.

Structural analysis expects unintended consequences. The caution and tacit cooperation during periods of crisis could not be anticipated from the internal attributes of the superpowers, nor could it be anticipated from their intentions toward each other and their competing visions of the desirable international and domestic orders. There was, however, a much higher correlation between internal attributes of the superpowers, with the constraints such factors impose on cooperation, and the highly competitive nature of U.S.-Soviet relations during noncrisis settings. More specifically, the views and beliefs of the leadership in either Washington or Moscow made a great deal of difference with regard to U.S.-Soviet relations. The high-level collaboration of the Concert, for its part, was strongly correlated with the ideological similarity and moderation of nineteenth-century statesmen. Indeed, concerted diplomacy became less effective as the ideological gulf between the members increased.

Behavior: Similar or Different

Similar behavior is expected in crisis situations but not in normal situations.

Systems theory expects that great powers will behave similarly when faced with similar situations. In particular, the explanatory power of this theory will be supported if states respond similarly to external stimuli despite considerable differences in their attributes. Indeed, a delicate balance of restraint and resolve characterized the crisis conduct of both superpowers. Both Moscow and Washington tried to balance between a patron's commitments to its allies and a superpower's responsibilities to world stability. They succeeded in this balancing act by tacitly adhering

[111] On the effects of the image of the opponent on Soviet foreign policy, see, e.g., Dina Spechler, *Domestic Influences on Soviet Foreign Policy* (Washington, D.C.: University Press of America, 1978); and Franklyn Griffiths, "The Sources of American Conduct: Soviet Perspectives and Their Policy Implications," *International Security* 9 (Fall 1984); on its influence on U.S. policy toward the Soviet Union, see Alexander George, "Factors Influencing Security Cooperation," in George et al. (fn. 10), 658–61. On the effects of the U.S. domestic system see I. M. Destler, Leslie H. Gelb, and Anthony Lake, *Our Own Worst Enemy: The Unmaking of American Foreign Policy* (New York: Simon and Schuster, 1984); and Nye (fn. 109).

the balance of interests as the major determinant of crisis resolve, be-avior, and outcomes.

The considerable differences in their normal behavior, however, could least partly be explained by divergent state attributes.

HE UNITARY ACTOR

he superpowers behaved more as unitary actors during crisis than in ormal diplomacy.

Structural theory expects (1) top policymakers to make the major de-sions, (2) a high level of consensus in a state's leadership, and (3) con-derable continuity in important questions of national security. It is hard substantiate this argument regarding Soviet internal debates on their isis behavior, although this is the conclusion of one of the leading stu-nts of this subject.[112] In the context of the Middle East, however, the nsistency of Soviet behavior in adhering to tacit rules from the 1956 ez crisis to the 1982–84 Lebanon War suggests that Moscow behaved ore as a unitary actor during crises than in normal diplomacy, when ere were occasionally intensive debates on the direction of Soviet for-gn policy.[113]

It is somewhat easier to test the thesis in the American case. We should pect that the more serious the crisis—that is, the more threatening the viet engagement—the greater the centralization of decision making d the degree of consensus within the decisional unit. Applied to third-a conflicts, centralization and consensus should be stronger in full-le wars between allies of the superpowers than in lower-level conflicts h as civil wars or wars of attrition. Again in the Middle Eastern con-t, there were indeed more differences of opinion among U.S. officials ring the 1970 Jordanian crisis and during the 1969–70 War of Attri-n (when there was also less centralization of policy-making) than in wars of 1967 and 1973. Yet as the 1969–70 and the 1970 conflicts ensified—that is, the more likely it appeared that the Soviets were (in War of Attrition) or might be (in Jordan) involved in offensive ac-ns against U.S. allies—the greater were centralization and consensus the U.S. leadership.[114]

[112] See the citation of Adomeit (fn. 53), 49.

[113] On Soviet Middle East crisis behavior, see, e.g., Miller (fn. 22); and B. Dismukes and McConnell, eds., *Soviet Naval Diplomacy* (New York: Pergamon, 1979). On Soviet debates Third World policy, see Jerry Hough, *The Struggle for the Third World: Soviet Debates and erican Options* (Washington, D.C.: Brookings Institution, 1986); and the review essay by orge W. Breslauer, "Ideology and Learning in Soviet Third World Policy," *World Politics* (April 1987). See also Spechler (fn. 111).

[114] On the U.S. in the War of Attrition and in the Jordanian crisis, see e.g., Steven Spiegel,

By contrast, in the normal diplomacy of the first term c administration there were intensive disagreements between curity Adviser Henry Kissinger and Secretary of State Wil regarding conflict resolution in the Middle East. Difference and conflicts on various issues also characterized the relati other secretaries of state and national security advisers (f Vance and Brzezinski)[115] or between the Pentagon and tl partment (for example, during Reagan's presidency, especi term). Beyond the executive branch, especially over the last Congress has clashed with different administrations on m and defense policy questions such as Southeast Asia, Centi arms control, weapons procurement, the defense budget, tl bargo on Turkey, or arms supply to Arab countries.

Degree of Sensitivity to the External Environment

During crises, but not necessarily in normal times, the showed sensitivity to the external environment.

The adherence to the tacit rules, the delicate balance bet and caution, and the sensitivity to important interests of the power demonstrated repeatedly in Middle Eastern crises with the minimalist conception of rationality advanced abov on the other superpower during crises might have led to inst sitivity to regional concerns and to some degree of overreac tary engagement. Yet such focus also led to extreme caution pressures on "aggressive" allies, and to considerable cooperat tual recognition of interests. During noncrisis times such m tivity was regarded (at least by some on each side) as infeasil sirable or both because of domestic, regional, and ideological In general, the somewhat excessive focus on the global level cive to crisis management, although it was not sufficient or to conflict resolution.

Degree of Ideological Flexibility

The superpowers showed greater ideological flexibility in ti than in noncrisis settings.

The Other Arab-Israeli Conflict: Making America's Middle East Policy, from Tr (Chicago: University of Chicago Press, 1985), 191–203.

[115] On the disagreements inside the Nixon and Carter administrations ar nuity between each of them and the Reagan administration concerning coop Soviets on resolving the Arab-Israeli conflict, see Miller (fn. 105), chap. 8. S Saunders, "Regulating Soviet-U.S. Competition and Cooperation in the Aral 1967–86," in George et al. (fn. 10).

The ideological rivalry between communism and capitalism severely onstrained U.S.-Soviet cooperation by reinforcing mutual images of the hei as an enemy rather than as a limited adversary.[116] Strong commitents to their respective visions of the international order made it diffilt for the two superpowers to agree about the legitimacy of the status o,[117] to accept each other's spheres of influence, and to recognize each her's equal status.[118] This was particularly true regarding the Third orld, where the Soviets were committed to support "progressive rces" and national liberation movements and the U.S. was obligated to omote democracy and free enterprise, or at least to oppose the rise of ocommunist regimes. The lack of consensus on their balance of inters was particularly striking in the Middle East, where it undermined empts at concerted diplomacy. Moreover, ideological or "moral" affilion with at least some of their allies made their commitment to these es stronger than if only traditional great power patronage were at ue.

Yet in times of crisis Moscow and Washington were able to agree, eit tacitly, on the balance of stakes, de facto spheres of influence, and need to reinforce rather than revise the status quo. Indeed, while dy to defend the survival of their allies even by military intervention, superpowers tended to avoid participating militarily in the clients' ensive acts (that is, war operations conducted on the antagonist's soil). this regard the superpowers ignored their own ideological preferences instead conformed to universal norms such as the sanctioning of y state's territorial integrity irrespective of its political affiliation. The tradiction between ideology and practice was especially marked in case of the more doctrinaire party, the Soviet Union. According to iet military doctrine, "a true 'socialist and liberating' country will ays have the just cause, whether or not it initiated the war."[119] Noneless, in the military sphere

> he USSR was very careful to refrain from translating its verbal support of he just cause of its local client into the hard facts of actual military support. That is to say: having justice on one's side is a necessary, but not lways sufficient prerequisite for receiving Soviet wartime military sup-

For a recent discussion of the adverse effects of ideology on U.S.-Soviet security coopion, see George, "Factors Influencing Security Cooperation," in George et al. (fn. 10), -61. See also Mandelbaum (fn. 1), 29.

See Joseph Nye, Jr., "Nuclear Learning and U.S.-Soviet Security Regimes," *Internal Organization* 41 (Summer 1987).

See Richard Betts, *Nuclear Blackmail and Nuclear Balance* (Washington, D.C.: Brook-Institution, 1987).

Efraim Karsh, *The Cautious Bear: Soviet Military Engagement in Middle East Wars in the -1967 Era* (Tel Aviv: Jaffee Center for Strategic Studies, Tel Aviv University, 1985), 38.

Kissinger's behavior during the Jordanian crisis.[130] In his detailed study of Soviet crisis behavior, Adomeit reports a similar prerogative of the political leadership vis-à-vis the military in the Soviet decision-making structure.[131] Dowty's conclusions on U.S. crisis behavior in 1958, 1970, and 1973 directly challenge the application of the bureaucratic politics model to crisis situations: the evidence from all three Middle Eastern crises suggests that "the more intense the crisis, the less the influence of 'standard operating procedures'; the more intense the crisis, the greater the role in decision-making of officials with a general rather than a 'parochial' perspective; the more intense the crisis, the less the influence of vested interests in the bureaucracy ('bureaucratic politics')."[132]

Role of Nuclear Weapons

Not only did nuclear deterrence provide major incentives for caution during crises,[133] but it also drastically reduced the political and military impact of relative changes in the global or regional balances of forces. Thus, the growth in Soviet military capabilities did not make the world less stable, as many Western analysts in the 1970s had feared it would.

Nuclear weapons also reinforced the distinction between crisis and noncrisis situations, especially with regard to military doctrine and ideology. Although flexible response, or the logic of war fighting, was frequently the dominant strand in the military doctrine of both superpowers, MAD as a situational factor restrained their use of force. This conforms with the idea of existential deterrence, as recently developed by Lawrence Freedman.[134] The record of superpower crises bears out these points (as is also noted by Freedman), although it does not explain noncrisis doctrines, policies, and force structures.

At the same time, nuclear weapons made ideology an irrelevant guide to the use of force in crisis settings. Even the superpower widely assumed to be more doctrinaire had to become more flexible in the nuclear age,

[130] Kalb and Kalb, *Kissinger* (New York: Dell, 1975), 232.

[131] See Adomeit (fn. 53), 344–45. See also Dallin (fn. 122), 614.

[132] See Dowty (fn. 81), 348. Although recent revelations about the Cuban missile crisis show that there were debates among individual executive committee members, the recent evidence also underlines the critical role that the top decision maker, President Kennedy, played in the (cautious) management of the crisis. See James Blight et al. (fn. 70).

[133] For a recent debate on whether the caution shown by the superpowers in times of crisis was caused by nuclear arms or other factors, see John E. Mueller, "The Essential Irrelevance of Nuclear Weapons: Stability in the Postwar World," *International Security* 13 (Fall 1988); and Robert Jervis's response in the same issue, "The Political Effects of Nuclear Weapons: A Comment." The two authors agree nonetheless that both the U.S. and the Soviet Union behaved with great restraint during superpower crises.

[134] Freedman, "I Exist; Therefore I Deter," *International Security* 13 (Summer 1988), 184–85; for an extended discussion, see Jervis (fn. 17).

at least regarding war avoidance and crisis management. As Nikita Khrushchev remarked to the Chinese in 1963: "The atomic bomb does not observe the class principle."[135] A similar moderating effect occurred among Americans,[136] including hard-line ideologues, at least when they came to power and had to manage crises and decide on the use of force in areas such as the Middle East, where Soviet interests and capabilities were closely involved.

Effects of Crisis-induced Stress

Some students of international crisis are concerned about the adverse effects of stress on crisis management. Although much more prolonged and intense crises could presumably produce such effects, this has not been the case thus far. One of the main reasons appears to be the cautious behavior of postwar statesmen, induced by nuclear deterrence. This fact runs counter to the logic of the thesis of crisis-induced stress, which suggests that the presence of nuclear weapons should have inhibited the capacity of decision makers to manage crises in a sensible way because the rising significance of the values at stake in nuclear confrontations was expected to increase the emotional and cognitive pressures on policymakers.

But even if some individual policymakers in the postwar era could not bear the pressures of crisis, the overall behavior of the U.S. and the Soviet Union, as is suggested by their observance of the tacit rules, was not affected, and indeed they were able to cooperate, even if only tacitly, better than they could under lesser pressures. This was precisely because in crises leaders paid more attention to the external environment than to bureaucratic, political, and ideological concerns,[137] and, as we will see below, the external environment in the postwar era was conducive to tacit cooperation.

In his study of U.S. behavior in three Middle Eastern crises, Dowty concludes: "It is clear that increasing stress did not lead decision-makers to become more closed to new information [, though] other aspects of cognitive performance are more complex to judge."[138] Moreover, the evidence from U.S. behavior in Middle Eastern crises regarding the search for and receptivity to information accords well with the conception of

[135] Cited in William Zimmerman, *Soviet Perspectives on International Relations* (Princeton: Princeton University Press, 1969), 5, 255–59; see also Khrushchev, *Khrushchev Remembers: The Last Testament*, trans. and ed. Strobe Talbott (Boston: Little Brown, 1974), 530.

[136] See Gaddis (fn. 46), 235–37.

[137] See Janice Stein, "Proxy Wars—How Superpowers End Them: The Diplomacy of War Termination in the Middle East," *International Journal* 35 (Summer 1980), 513.

[138] Dowty (fn. 81), 339.

"minimum rationality" advanced above. In other words, fundamental values and policy goals remained rigid, but

> perceptions of the environment and immediate policy choices proved to be . . . sensitive to external change and flexible in operation. Policy-makers proved willing to accept evidence that challenged prevailing perceptions on many issues, such as . . . the likely costs of U.S. action in 1970, and the military balance during the 1973 war. . . . There was also sensitivity to negative feedback from policies carried out. . . . On the whole, then, there was no cognitive rigidity, but rather considerable adaptability, in analyzing situational factors and preferred strategies.[139]

There also prevailed a modest form of rationality concerning the search for and evaluation of alternatives. The narrowing of focus on military options and immediate concerns "was accompanied by a clear tactical rationality. . . . Policy-makers did not, at the height of crisis, reexamine their basic beliefs, but their choice of options was based on analysis of costs and gains rather than on purely affective reactions or bureaucratic bargaining and compromise."[140]

Quandt observes, in contrast, that U.S. foreign policy in noncrisis periods

> tends to be insensitive to regional developments, responding instead to strategic concepts, bureaucratic rivalries, and electoral necessity. The vacillation that so often seems to characterize American policy, especially in the Middle East, is likely to be especially intense at such times. The president is less involved than during crisis periods, and the bureaucracy therefore is left to devise policies that may ultimately fail for lack of presidential support.[141]

Control over Small Allies

Many analysts warned that the capacity of small states in the postwar era to play off the superpowers against each other might bring about escalation of regional conflicts to global hostilities, as happened in World War I (notably, through the Kaiser's blank check to Austria) and in the Crimean War (when Turkey played off Britain against Russia).[142] The

[139] Ibid., 340.

[140] Ibid., 343–44. See also Yair Evron, *War and Intervention in Lebanon: The Israeli-Syrian Deterrence Dialogue* (London: Croom Helm, 1987).

[141] Quandt (fn. 125), 130.

[142] On the "blank check," see, e.g., John Orme, "Deterrence Failures: A Second Look," *International Security* 11 (Spring 1987), 106. On the Crimean case, see Smoke (fn. 13), 56. Both authors underline the destabilizing effects of these steps in a multilateral (Orme) or multipolar (Smoke) setting. Although both terms are applied to these two crises, they are not identical. Indeed, it is important to draw a distinction between the number of players and the distribution of capabilities (or polarity) and to underline the crucial effects of the latter factor during crises. Thus, the structure of those postwar Third World crises in which the

roblem could have been especially grave in the postwar era because of ıe combined effects of decolonization (and thus supposedly the greater ıutonomy of small states) and keen superpower competition.[143] But this ɾgument applied more to noncrisis and precrisis situations than to crises ıemselves.[144] Great power control over allies in bipolar crisis (rather ıan in noncrisis diplomacy or multipolar crisis) derived from the logic f extreme patron-client asymmetry in bipolarity[145] and the application f this logic especially to crisis situations. Indeed, that realization was ıared by many regional leaders and spokesmen, perhaps because they ʼere particularly aware of the high dependence of their states on the ıperpowers and the considerable leeway of the latter toward their cli-nts in bipolar crises.[146]

Stephanie Neuman's recent study of the superpowers and regional ʼars suggests that the dependence of Third World states on superpower rms supply and especially resupply during crises was, at least until the ıid-1980s, still increasing. Such dependence made it possible for the su-erpowers to limit the scope of regional wars.[147] At the same time, the ıperpowers in a bipolar world were less dependent on their allies than ast great powers had been for maintaining the global balance. If even a ɔuntry the size of China could realign twice in the post-1945 era with-ut changing the bipolar structure of the system, the realignment of a naller Third World state would certainly not affect the global distri-ution of power. Although domestic and ideological elements reduced

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ıperpowers intervened was not multipolar even if more than two players took part. Rather, ıce these crises escalated to the global level, their structure became bipolar in accordance ıth the overall distribution of capabilities in the post-1945 system. Although it was more fficult to manage such multiactor crises than to manage two-actor crises (see George [fn. ı], 562–63), bipolarity made it possible for the superpowers to exercise a restraining effect ı regional crises.

[143] See, e.g., Christopher C. Shoemaker and John Spanier, *Patron-Client State Relationships: ʼultilateral Crises in the Nuclear Age* (New York: Praeger, 1984).

[144] Although Israel has been widely seen as a particularly good example of the difficulties ıcountered by a patron in trying to control a small state (because support for Israel in U.S. ɔmestic politics also played a role), this might be applicable primarily to noncrisis settings. ɔr a recent study that stresses U.S. control over Israel in times of Arab-Israeli wars, see . F. K. Organski, *The $36 Billion Bargain: Strategy and Politics in U.S. Assistance to Israel* ʼew York: Columbia University Press, 1990), 190–201.

[145] See Snyder and Diesing (fn. 1), 443–44, 505.

[146] See Moshe Dayan, *Story of My Life* (London: Sphere Books, 1977), 551; and Mohamed eikal, *The Road to Ramadan* (New York: Quadrangle, 1975), 225. One might argue that e decline of bipolarity since the late 1980s, and especially the related perception of super-ɔwer disengagement from the Third World, created the background for Saddam Hussein's vasion of Kuwait in August 1990. For an expression of [illegible] the global changes, e his speech of February 24, 1990, at the Fourth Summit of the Arab Cooperation Council, mman, Jordan, as reported in FBIS-[illegible]-90-039, February 27, 1990, pp. 1–5. See also Miller ı. 21).

[147] See Neuman, "Arms, Aid and the Superpowers," *Foreign Affairs* 66 (Summer 1988), p. 1045–46.

the influence of this structural factor in normal times, its influence grew during times of crisis and enabled the superpowers to help terminate local wars, as the model presented here would expect. At the very least, bipolarity made it possible for the superpowers to refrain from giving blank checks and thus to avoid the danger of being dragged into local wars, in contrast to the behavior of some European powers in the Seven Years' War, the Crimean War, and World War I.[148]

Restraining and Clarifying Effects of Bipolarity

The two-power system made it easier for the superpowers to restrain allies, but because of the keen competition in the bipolar world, the superpowers also took care not to alienate Third World states and risk driving them into the rival alliance. Thus, the superpowers had an incentive to restrain aggressive allies especially if their aggression was directed against nonaligned[149] or Third World states; the U.S. and the Soviet Union did this repeatedly toward the end of Middle Eastern wars. By contrast, "in a multipolar system, it may be difficult to persuade nations to engage in regulative action. . . . [M]any nations could believe that while a given state's actions were disruptive, they did not require counter-action by any particular nation, and a regulated coalition could not be formed."[150] Such underreaction, or appeasement, could lead to major wars, as in the case of World War II. At the same time, the reduced clarity about stakes and commitments under conditions of multipolarity could lead to *overreaction* as in 1914. A bipolar world, with its greater clarity about commitments and about the balances of capabilities, interests, and threats, facilitates crisis management. During regional wars the superpowers focus on each other; and for purposes of crisis management it is easier to focus on a single source of threat (and of potential cooperation) than on a number of powers. In short, a bipolar structure produces incentives for a balance between resolve and caution. Many studies have found that such a balance is the most conducive to cooperation between adversaries.[151] Indeed, U.S.-Soviet cooperation recurred time and again in the observance of tacit rules.[152] In noncrisis

[148] On this point, see Gaddis (fn. 46).

[149] See Zacher (fn. 121), 218–19.

[150] Richard Rosecrance, *International Relations: Peace or War?* (New York: McGraw-Hill, 1973), 116; cited in Zacher (fn. 121).

[151] See the comprehensive overview in Patchen (fn. 19).

[152] The stabilizing influence of bipolarity in times of crisis, in contrast to the proneness of multipolar systems to inadvertent war, can also be observed on the regional level in the Middle East, independent of the superpowers and of nuclear weapons. Whereas the multipolar structure of the 1967 crisis contributed to the undesired escalation that resulted in the June war, the essentially bipolar structure of the Syrian-Israeli rivalry over Lebanon facilitated the evolution of certain tacit rules for crisis management, despite the intense antagonism between these two neighbors and their strong suspicions of each other. On the 1967

ituations, however, the bipolar system produced incentives both for ompetition and for cooperation, so that nonsystemic factors came into lay.

CONCLUSIONS

Jnder the constraints of bipolarity and nuclear weapons, two of the most leological powers in the modern state system became moderate, status uo powers. As a result, the postwar system was relatively stable, alhough its major actors were less ideologically moderate and farther part in their values than earlier great powers such as the members of ne Concert. The observed regularity of the superpowers' cautious conuct would have led us to expect the postwar peacefulness to endure, egardless of the political and ideological differences between the superowers, at least so long as bipolarity and mutual assured destruction vere in place.

In noncrisis times, however, the greater influence of factors below the ystem level considerably constrained the superpower diplomatic cooperation in crisis prevention and in conflict resolution. Hence, while more ble than earlier great powers to cooperate tacitly in crisis management, ne postwar powers were, at least until recently, less capable of embarkng on a long-term, concerted, and explicit collaboration as coequal managers" of the international system in normal periods, as the nineeenth-century Concert had been able to do.[153] In noncrisis times during ne cold war the superpowers might each have tried to reach a hegenonic position and to exclude the other power from having a voice in ne international politics of various parts of the Third World. Neverthe-ss, in crisis situations both Washington and Moscow were more sensive than previous great powers had been to the interests of the rival ower. Moreover, even during the cold war the United States and the oviet Union tended to collaborate tacitly in controlling wars in the hird World and in maintaining the status quo in world politics.

Table 2 gives a schematic comparison of the postwar superpowers and

ar, see Janice Stein, "The Arab-Israeli War of 1967: Inadvertent War through Miscalcuted Escalation," in George (fn. 13). On the tacit rules for regulating the Syrian and Israeli ilitary intervention in Lebanon, see Evron (fn. 140).

[153] But the changes in Soviet policy under Gorbachev and the reciprocal U.S. restraint have ade diplomatic cooperation much more likely. Consistent with the overall argument prented here, these changes in normal diplomacy and conflict resolution can be explained by anges in subsystemic factors such as decision makers' beliefs and images (especially in the oviet elite, but also the change in the image of the Soviets in Washington) and domestic olitics (a hawkish president legitimized cooperation with Moscow following the internal olitical and economic reforms in the Soviet Union). At the same time this model would edict that a major retreat from these reforms would lead to the disruption of the close U.S.-oviet (or Russian) diplomatic cooperation in conflict resolution.

TABLE 2

GREAT POWER CONFLICT MANAGEMENT: THE 19TH-CENTURY CONCERT OF EUROPE VS. U.S.-SOVIET UNION IN THE POSTWAR ERA

Issue	*Crisis Management*		*Noncrisis Diplomacy*	
	The Concert	*U.S.-Soviet*	*The Concert*	*U.S.-Soviet*
1. Acceptance of spheres of influence	ambiguity	tacit	explicit	rejection
2. Recognition of great power equality	yes	tacit	explicit	rejection by U.S.
3. Acceptance of the status quo	no (Russia, Germany)	tacit	explicit	rejection
4. Cooperation in conflict management	lack of tacit rules and procedures	tacit rules and procedures for crisis management	multilateralism	unilateralism
5. Shared vision of world order	not crucial for crisis management		yes	no
6. Sensitivity to balance of stakes	not very sensitive	sensitive	sensitive	lack of sensitivity
7. Balance between resolve and restraint	unrestrained	resolute restraint	dominance of restraint	dominance of resolve over restraint
8. Balance of capabilities vs. balance of interest	balance of military capabilities	balance of interests	balance of interests	balance of nonmilitary capabilities
9. Control over allies	no	yes	yes	no (esp. U.S.)

10. Control over the military	SOPs (WWI)	civilian control	control is not problematic	control is potentially problematic
11. Effects of domestic politics on foreign policy	considerable	limited	insignificant	very significant (U.S.)
12. Effects of ideology on foreign policy	limited	limited	considerable	very significant
13. Effects of stress on decision making	considerable (WWI)	limited	not applicable	

the Concert of Europe regarding crisis management and noncrisis diplomacy. In times of crisis the superpowers reached tacit understandings about spheres of influence, coequal status, the status quo, cooperation in conflict management, and the balance of stakes. By contrast, the Concert members reached explicit agreements on these issues in noncrisis diplomacy and succeeded in heading off many potential crises. They were not as effective in developing the tacit understandings required for crisis management, however; once crises had erupted, as in the Crimea and the Balkans, the multipolar structure made it more difficult for the great powers to manage them and avoid a general war. Thus, whereas the Concert members had been more successful in establishing a crisis-prevention regime than the superpowers were during the cold war, the U.S. and the Soviet Union never failed to manage crises, in contrast to the failure of the European powers on at least two fateful occasions: 1853–54 and 1914.[154]

[154] On the Concert as a crisis-prevention regime, see Paul Lauren, "Crisis Prevention in Nineteenth-Century Diplomacy," in George (fn. 47). Indeed, in accordance with the distinction drawn by George, the essence of the cooperation between the Concert members was in preventing great power crises rather than in managing them. When crises erupted during the peak period of the Concert, 1815–54, the rivals were usually third parties and not more than a single great power was directly involved. In order to prevent escalation to crisis among the great powers themselves, the Concert then acted multilaterally either through a joint intervention of the powers—as in the Ottoman crises of the 1830s and the 1840s (see Lauren, 47–48)—or through joint diplomacy in conflict resolution—as in the crisis resulting in the establishment of Belgium in the early 1830s. On the Concert's accomplishments in settling disputes and averting dangers by diplomacy, see, especially, Paul W. Schroeder, "The 19th-Century International System: Changes in the Structure," *World Politics* 39 (October 1986). In contrast, many local crises in the postwar era escalated to superpower crises and only then were successfully managed while the superpowers all along acted mainly through unilateral steps. See Benjamin Miller, "From Balance of Power to Hegemonic Stability or to International Society: Competing Theoretical Models and Great Power Crisis Interaction" (Manuscript, Hebrew University, 1992). On superpower failure in crisis prevention during the cold war, see the other chapters in George (fn. 47); and also George et al. (fn. 10), chap. 23.

THE STRATEGY OF POLITICAL LIBERALIZATION

A Comparative View of Gorbachev's Reforms

By CHRISTOPHER YOUNG*

IN 1986 Mikhail Gorbachev began to advocate drastic reform of the Soviet system. He called for the liberalization of the authoritarian political structure, proposed a major reform of the centralized economy, and finally demanded the transfer of power away from party bodies, including the Central Committee and its Politburo.

In response, the elite of the Communist Party did not remove him from office but rather voted to give him more power still. Nor did the Central Committee close ranks to fight against the reduction of its power and privileges. Rather, it voted to oust its oldest and most conservative members and approved the measures that removed it from the center of the Soviet political world. In fact, when state officials finally attempted to remove Gorbachev in August 1991, conservative party members could do little more than cheer from the sidelines.

The Party's approval of the reforms that constituted perestroika cannot be explained solely as a result of broadly based social pressures, since the explosion of popular demands for change came only after party leaders had already committed the Soviet Union to a new course. Even given the unworkability of the Soviet economy and the need for some kind of reform, political liberalization was certainly not the only option.[1] At the same time reform could not have been forced upon a resistant Soviet elite by a dictatorial Politburo. This was demonstrated in 1957, when the party's Central Committee overruled a Politburo majority that had demanded the ouster of Nikita Khrushchev, and again in 1964, when it finally removed him from office. Leaders in any organization cannot

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[1] A good discussion of the inadequacy of deterministic "societal" models is presented by James DeNardo, *Power in Numbers* (Princeton: Princeton University Press, 1985), 8–32. George Breslauer makes this point for the Soviet case; see Breslauer, "Evaluating Gorbachev as Leader," *Soviet Economy* 5, no. 4 (1989).

ignore the interests of groups able to act effectively against them.[2] Gorbachev must therefore have convinced a broad audience of officials that they stood to gain from liberalization.

This conclusion leads to some important questions. Why did Gorbachev choose a liberalizing reform strategy, despite the attendant risks? What could a group of oligarchs with little enthusiasm for popular participation in government hope to gain from liberalization? Is the Soviet experience with political reform unique, or is perestroika similar to other instances of reform promulgated by self-interested political elites?

Although the literature on democratic transitions provides a rich discussion of the political processes that follow liberalization, generalized explanations about the origins of political relaxation within authoritarian regimes are often less satisfying. Most scholars begin with the assumption that such regimes are divided into hard-liners and soft-liners and that their conflict over liberalization is the impetus for democratization.[3] More research is needed about the reasons politicians opt for liberalization even though they know that it may lead to social upheaval or a conservative reaction.

In this essay, I consider the experiences of three nineteenth-century Western European states in terms of the motivations that underlay the approval of political liberalizations by parties and governments that had not previously shown any affection for radical democracy. I suggest first that liberalization can be viewed as an effective strategy for politicians to defeat their opponents and consolidate their power. And I argue second that political leaders are frequently willing to accept the long-term threat of popular mobilization and antiregime agitation in exchange for the more immediate defeat of powerful opponents.

The Strategy of Liberalization

The second half of the nineteenth century was an era of turmoil for the established political parties of Western Europe. Industrialization empowered growing numbers of middle-class citizens and simultaneously

[2] David B. Truman, *The Governmental Process* (New York: Alfred A. Knopf, 1971), 188–93. For a discussion of the prerequisites for collective action, see Mancur Olson, *The Logic of Collective Action* (Cambridge: Harvard University Press, 1971).

[3] See, e.g., Guillermo O'Donnell and Philippe C. Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies* (Baltimore: Johns Hopkins University Press, 1986), 15–21; Giuseppe Di Palma, *To Craft Democracies* (Berkeley: University of California Press, 1990), 32–40; Adam Przeworski, *Democracy and the Market* (Cambridge: Cambridge University Press, 1991), 54–66. Russell Bova applies this literature to the Soviet case in "Political Dynamics of the Post-Communist Transition: A Comparative Perspective," *World Politics* 44 (October 1991).

swelled the ranks of the discontented proletariat. More widespread literacy allowed political communication and agitation to spread rapidly across newly mobilized populations. Class consciousness acquired more than theoretical meaning. Conservative parties, whose ideologies stressed resistance to change, faced the possibility of eventual irrelevance.

Politicians in Great Britain, Prussia, and Italy found their power challenged by large-scale societal pressures and reinforced by active and vocal oppositions. One might have expected these politicians to respond with reactionary measures designed to postpone the broadening of political participation for as long as possible.

Yet the strategies actually chosen by Benjamin Disraeli, Otto von Bismarck, and Giovanni Giolitti were hardly reactionary. Each advanced a carefully considered strategy of liberalization that had as its central feature the expansion of suffrage. Previously unrepresented groups, including large numbers of the industrial proletariat, were suddenly able to vote in national elections.

The three leaders had not blundered, however. They all received tangible political benefits as a result of their reforms. Three elements characterize the reforms in each of the countries under consideration.

First, the reforms were designed to protect the political positions of the reformers in the more democratized postreform period. Disraeli used gerrymandering to guarantee his party a large piece of the newly expanded political pie. Bismarck combined an appeal to German nationalism with social programs to win the support of the masses. He also fought to maintain the independence of the government from parliamentary control. Giolitti relied on a system of regional prefects skilled in the coercion and manipulation of illiterate peasants.

Second, in none of the cases were the reforms simple exercises in haphazard democratization. The liberalizers sought to exploit the vulnerabilities of their opponents. The expansion of political liberties was designed either to split the enemy camp into mutually hostile blocs or to create new opposition groups that would be more interested in doing damage to the reformers' enemies than to the reformers themselves. The enfranchisement of large numbers of proletarians shifted the political center of gravity of the British and German opposition to the left, which sent many bourgeois voters and politicians fleeing into the arms of the conservatives. In Italy the extension of the suffrage to conservative rural citizens provided a counterweight to radical voters in the cities.

Finally, in each country the reforms empowered new groups that would later pose a potentially greater threat to the reformers than their old enemies had. The reformers were perfectly willing to trade the pos-

sibility of future opposition for short- to medium-term gains in the political struggle. The British Labour Party, the German SPD, and the Italian Fascists experienced their great periods of growth only after their supporters were given the vote by Disraeli, Bismarck, and Giolitti, respectively.

In short, the reformers acted out of self-interest rather than out of commitment to democratic values, although none of them was above occasionally giving a populist ring to his speeches. Thus, each political leader acted as an effective representative of his group and therefore earned the grateful support of his followers. Liberalization, then, can be an effective strategy for consolidating power.

Disraeli and British Reform

By the 1860s the British Liberal Party had emerged as the dominant force in Parliament. Conservative M.P.'s found themselves a shrinking minority, able to govern only when internal divisions within the Liberal Party fractured existing governments.

The Conservatives had not recovered from the defection of Robert Peel and his followers (including William Gladstone) during the 1846 debate over the repeal of the Corn Laws, which had protected British agriculture at the expense of free trade. Peel had taken the best talent of the party with him, and his followers constituted a pillar of the alliance of Peelites, radicals, and Whigs that made up the Liberal Party.

All that was left of the once-mighty party was a disheartened, uninspiring group of country squires and reactionaries. Although the party still contained two men of notable ability, the Earl of Derby and Benjamin Disraeli, there were hardly enough others with sufficient standing and experience to form an acceptable government during the occasional periods of Liberal disunity.

Worse still, the course of British economic development assured that the future would see a growing urban bourgeoisie, and a concomitant decline in the power of rural interests. The most likely outcome seemed to be a steady decline of the Conservative Party into a corps of reactionaries, occupying ever-fewer seats in the Commons.[4]

Disraeli and his Conservative colleagues took office in 1867 after Gladstone's Liberal government was undermined by the opposition of an important segment of his party to the electoral reform bill he had proposed in 1866. Gladstone's bill, which would have allowed a modest

[4] Paul Adelman, *Gladstone, Disraeli and Later Victorian Politics* (Essex, England: Longman Group, 1983), 11; Robert Blake, *Disraeli* (New York: St. Martin's Press, 1967), 242–43.

increase in the number of British voters, was roundly defeated when Conservatives voted with Whig members of the "Adullamite Cave," who opposed further suffrage reform.

The fall of Gladstone's government and the defeat of his bill were direct results of a central contradiction that plagued the Liberal Party in this period. Although the Liberals held themselves to be the party of reform and democratization, there was considerable fear among the Liberal M.P.'s and cabinet members that any real reform would spell disaster for Liberal politicians and their traditional supporters—the Liberal Party was very much the representative of the British industrialists. Any significant expansion of the franchise would flood the party with British workers, who were likely to demand a far more radical orientation than that acceptable to most party leaders.[5]

Hence the dilemma: Liberal leaders had to support the general idea of reform, yet it was very difficult for them to support the kind of reform that would meet the demands of the unenfranchised population. The split in the party that killed the 1866 bill was practically inevitable.

The Conservatives faced no such dilemma. Although the new government was expected to offer some kind of reform bill, Disraeli was able to adopt a much more opportunistic approach than his opponents could. The question remained: what kind of bill should the Conservatives put forth?

Disraeli was very much aware of the Liberal dilemma, and in a stroke of political genius he recognized the best way to take advantage of it: the Conservatives should propose a reform bill that would extend the franchise to a large percentage of the British working class. And, indeed, Disraeli introduced a bill that would give the vote to every household in urban Britain and would lower the income level required to vote in the rural counties. Over the course of the debate, he showed great willingness to tolerate radical amendments that would expand the franchise still further.[6]

Disraeli recognized that the combination of the voice vote and the ability of conservative landowners to manipulate their tenants would guarantee Conservative control over the British countryside. He took no

[5] Maurice Cowling, *1867: Disraeli, Gladstone, and Revolution* (Cambridge: Cambridge University Press, 1967), 48–49.

[6] Blake (fn. 4) and F. B. Smith argue that Disraeli was more concerned with passing any kind of bill than with the specific content of his bill. Cowling (fn. 5) casts doubt on this idea, asserting that Disraeli's strategy could not have been better designed to serve conservative interests. See Smith, *The Making of the Second Reform Bill* (New York: Cambridge University Press, 1966).

chances, however. In the accompanying measure to the reform bill that redistributed parliamentary seats, Disraeli arranged to hive off any urban areas that were part of the counties and join them to already Liberal areas.

This act of gerrymandering helped to keep a powerful bloc of Conservatives in Parliament for decades to come. The redistribution bill granted some new seats to the biggest cities, but nowhere near in proportion to their populations. It is not surprising that the redistribution bill has been called the most important part of Disraeli's strategy.[7]

Because most urban areas were already voting for Liberal candidates before the 1867 reform bill, an increase in the number of voters in the boroughs would not do any damage to the Conservatives. Disraeli calculated, however, that the inclusion of large numbers of working-class voters would inevitably force the Liberal Party leftward, thus alienating the British middle class and driving them into the arms of the Conservatives.[8] Gladstone recognized what Disraeli was doing and sought to block passage of the bill, but Disraeli's acceptance of radical amendments had already assured him enough votes from the left wing of the Liberal Party to ensure passage.

The passage of the reform bill not only secured the position of the Conservative Party in British politics, just as Disraeli had foreseen, but also solidified Disraeli's place at the head of his party. Disraeli had faced opposition from the high-Tory (ultraconservative) wing of the Conservatives, a group as hostile as the Liberals to any expansion of the franchise. He overcame this threat, however, when he convened an unprecedented meeting of Conservative backbenchers and explained to the M.P.'s what the bill could do for the party. Once they saw that the bill would bring them tangible political benefits, the backbenchers lined up behind Disraeli.[9]

The passage of the bill was a disaster for the Liberals. In the long run it created the preconditions for the founding of the Labour Party, which would eventually replace the Liberals as the party of the Left. Disraeli must have realized that a powerful working-class party would eventually emerge as a result of his efforts—and indeed, Labour ultimately posed a greater threat to Conservative interests than Gladstone and his Liberals ever had. Disraeli was evidently willing to run this risk, however. The short-term benefits to his party were great enough to overcome any fears of future politicized trade unionism.

[7] Blake (fn. 4), 12.
[8] Adelman (fn. 4), 10; Cowling (fn. 5), 64–66.
[9] Blake (fn. 4), 463.

Bismarck and Universal Suffrage

In Prussia, Otto von Bismarck and his Junker supporters were also confronted with a powerful liberal opposition. The Prussian nobility had designed the kingdom's electoral system to guarantee their hegemony over all the political organs of the state. The franchise, theoretically universal, divided the population into three estates of roughly equal total income. Each of these estates was granted equal representation in the Prussian Landtag. When the constitution was first drafted, the income distribution in the kingdom had assured the Junkers a dominant position in each of the estates.[10]

Industrialization, however, dramatically altered the situation. By the time Bismarck assumed power in 1862, the newly enriched bourgeois liberals dominated the first two estates, and their representatives had turned the Landtag into a powerful anticonservative chamber. Their resistance to the king's spending priorities had precipitated a constitutional conflict that almost forced him to abdicate. Although Bismarck had persuaded the king to ignore the wishes of the liberals, it was unclear whether the status quo was tenable.

This situation was exacerbated because the conservatives were increasingly unsure of what they stood for. Prussia had become embroiled in a series of international conflicts, as the last vestiges of the unity created at the Congress of Vienna melted away. Given the increasing tensions between Prussia and Austria, conservatives were not sure how to respond to German nationalists in Prussia and the smaller principalities. Siding with the nationalists would be tantamount to supporting the overthrow of the old order, but the status quo seemed to offer only instability. Members of the Prussian government began to speak about the possibility of a coup against the liberals.[11] A repetition of the violence of 1848 seemed possible.

The liberal dilemma that Disraeli recognized and exploited was not confined to the British Isles. Prussian liberals argued that the Landtag was the true representative of the Prussian nation and that its wishes should take precedence over the will of the king and his ministers. Nevertheless, the liberal parliamentarians viewed themselves as the spokesmen of the propertied classes, not of the workers and peasants who made up the majority of the population. Most of these bourgeois politicians were actively hostile to the idea of greater representation for the lower

[10] Theodore S. Hamerow, *The Social Foundations of German Unification* (Princeton: Princeton University Press, 1969), 297–301.

[11] Otto Pflanze, *Bismarck and the Development of Germany* (Princeton: Princeton University Press, 1963), 219.

classes, fearing the consequences of the political empowerment of groups that took a less benevolent view of laissez-faire capitalism. The masses, they argued, could not be trusted to make informed judgments about the great political questions of the day.[12]

Bismarck became aware of the Prussian liberal dilemma as a result of a rather surprising friendship. In 1863 Bismarck began a series of lengthy conversations with Ferdinand Lassalle, the fiery leader of the Prussian labor movement. Lassalle viewed the Junkers as enemies of far less immediate consequence than the liberals. Knowing that the labor movement could not develop into a major political force as long as the bourgeoisie held the preeminent position on the political left, he was determined to undermine the liberals in any way that he could. Lassalle urged Bismarck to suspend the constitution and to declare that further elections would be based on direct universal suffrage, without consideration of estate. This action, Lassalle promised, would be the death of the liberal opposition.[13]

Bismarck was receptive to the idea of using universal suffrage to attack the liberals. He believed that a strategy of liberalization could serve several other goals as well. He looked with envy at the example set by Napoleon III of France, who had managed to use universal suffrage and a program of social reform to secure massive popular support. Napoleon had demonstrated that the masses, particularly the peasantry, were not always the natural allies of liberals or socialists.[14]

Furthermore, the declaration of universal suffrage could be a potent weapon against the Austrians, too. Bismarck wanted the Prussian monarchy to assume the role of head of the German nationalist movement. And he hoped to garner popular support for Prussian ambitions in the lesser German states via a policy of revolutionary nationalism, combined with a demonstration of the king's willingness to listen to elected representatives of the entire German nation. Nationalism could then help to make a Prussian-centered Germany the equal of any other power on the Continent.[15]

Bismarck knew that the king would not accept Lassalle's proposal to

[12] For an extensive discussion of the Prussian liberals' fears about the consequences of democratization, see James J. Sheehan, *German Liberalism in the Nineteenth Century* (Chicago: University of Chicago Press, 1978).

[13] Erich Eyck, *Bismarck and the German Empire* (New York: W. W. Norton, 1968), 115–16.

[14] Brison D. Gooch, *The Reign of Napoleon III* (Chicago: Rand McNally, 1969); Albert Guerard, *Napoleon III* (Cambridge: Harvard University Press, 1943); J. M. Thompson, *Louis Napoleon and the Second Empire* (Oxford: Basil Blackwell, 1954).

[15] Lothar Gall, *Bismarck: The White Revolutionary* (London: Allen and Unwin, 1986), 286–89.

mount a coup in support of universal suffrage, but he managed to convince the king that traditional conservative scruples about the sanctity of the monarchies in the small German states could be set aside in the interests of a greater Prussia.

In April 1866 Bismarck circumvented the Prussian Landtag and formally proposed to the all-German diet at Frankfurt that elections based on universal suffrage be held to elect a parliament for a united Germany.[16] Bismarck expected the Diet's disapproval, for the representatives of Austria and the lesser German monarchies knew perfectly well what he was up to. Nevertheless, it provided an excellent opportunity to frighten the liberals and the Austrians alike with the specter of Bonapartism and to make a well-publicized pitch to the German nationalists.[17]

Only when Prussian arms succeeded in creating first the North German Confederation and then the German Empire was Bismarck finally able to implement his plans for universal suffrage. Just as he had hoped, the voting that followed fractured the German liberal camp. Bismarck's offer of a bill of indemnity to the Prussian Landtag, asking for the body's forgiveness for the state's extraconstitutional actions, split the liberals in two. The progovernment wing, called the National Liberals, eventually became loyal supporters of the regime, especially after the Social Democrats for whom Lassalle had fought became the leading voice of the opposition.

In this regard, Bismarck was fortunate, since Prussian conservatives had originally fought his plan. Figures such as Ludwig von Gerlach had argued along the same lines as the liberals about the danger of popular participation in government, and many conservatives were horrified by the chancellor's drive to overthrow the rulers of the smaller German states and incorporate their territories into a new nation.[18] As it turned out, Bismarck, supported only by the National Liberals, was able to overcome conservative opposition in the Parliament of the North German Confederation.[19]

Bismarck was not deterred by the conservatives' warnings about the effects of giving political representation to the working classes. He was perfectly willing to risk the growth of proletarian opposition, since he was confident that the new parliament could be controlled by the king,

[16] Eyck (fn. 13), 115–18.
[17] Gall (fn. 15), 288–89.
[18] Hamerow (fn. 10), 292–93, 390–91.
[19] Pflanze (fn. 11), 331–34, 354–55.

and the mechanism of the state turned against his opponents.[20] More importantly, he was more concerned with the immediate threat posed by the liberals than with the future consequences of his strategy. Although universal suffrage allowed the rapid growth of the SPD and the Catholic Party, the strategy of liberalization proved to be a powerful tool for the attainment of the chancellor's short-term objectives.

Reform in Italy[21]

In Italy the arrival of the twentieth century brought threats to the fragile political balance that Agostino Depretis had crafted during the 1880s. Centrist politicians had remained in power through the inclusionary instrument of the *trasformismo*, the policy of carefully tailoring government policies in order to capture the support of center-leaning politicians of parties to both the right and the left of the government. The centrists had usually managed to avoid the schisms characteristic of Italian politics and had thus clung to power.

Depretis's successor, Giovanni Giolitti, who assumed power in 1900, found it increasingly difficult to maintain the *trasformismo*. The franchise extension of 1882 had given the vote to citizens who achieved a certain level of literacy. In the decades since that time, however, literacy rates in the industrialized northern towns had increased to a degree that allowed the Italian Left to muster ever greater support. As the power of the Left grew, the Right rapidly grew more anxious, and the ability of the centrists to maintain a stable governing coalition seemed in peril. The situation was especially aggravated by rising tensions between the industrialized north and the impoverished south of Italy. It seemed that the *trasformismo* could not continue and that Giolitti could not last.

The main short-term danger to Giolitti's centrists was the growing power of the Italian Left. As long as literacy rates in the Italian north continued to rise, the ability of the government to maintain the *trasformismo* would be diminished. This point was brought home to Giolitti in 1909, when elections bolstered the number of extremist deputies in the lower house, with the Left making the greatest gains. Within the year Giolitti's ministry ended, and he found himself temporarily out of power.

In 1911 the government proposed a moderate electoral reform, and Giolitti saw in this an opportunity to return to power. Abandoning his

[20] Hans-Ulrich Wehler, *The German Empire* (Dover, N.H.: Berg Publishers, 1985), 53–55.
[21] The following section is based on the account of Denis Mack Smith, *Italy: A Modern History* (Ann Arbor: University of Michigan Press, 1959), 211–62.

previous position against popular participation, he instead demanded universal suffrage and was quickly brought back into office.

The proposal split the Left, as the most extreme radicals supported the government's proposal. Passage was assured when the Right threw its support behind Giolitti, believing that the inclusion of the southern peasantry in the voting rolls would provide a solid conservative counterweight to the vote in the north. The measure, which was soon approved, granted the vote to every Italian male over thirty and to all military veterans. The number of voters rose from three to eight million.

Giolitti had recognized that universal male suffrage would serve his interests in two ways. First, he was confident that the southern voters would counterbalance the Left. In this respect, his motivation was the same as that of the parliamentarians to his right. But he also believed that his own position would be considerably strengthened, because universal suffrage was ideally suited to his faction's greatest talent: election fixing.

Like Depretis before him, Giolitti had access to a huge network of regional prefects who were skilled at using rhetoric, trickery, and coercion to swing votes in any direction they chose. With large numbers of illiterate, apolitical rural voters included, Giolitti could guarantee his supporters large numbers of seats in the lower house and bolster his ability to continue the *trasformismo* for years to come.

In the long run, however, the reform would be Giolitti's undoing. In the years after the First World War mass parties began to dominate Italian politics. The chaos and devastation that had gripped the country by 1920 allowed the most extreme parties to engage in a kind of outright intimidation and terrorism that made the actions of Giolitti's prefects seem mild in comparison. As it turned out, the strategy of liberalization, which had proved so effective at blunting the power of the Left, led to the development of the fascist Right, which eventually overturned not only the *trasformismo* but Italian parliamentarianism as well. Giolitti had not worried about this danger. His strategy allowed his party to remain at the center of Italian politics for a decade longer than it might have otherwise.

Gorbachev and the Strategy of Liberalization

In the Western European cases political leaders used the strategy of liberalization to exploit the vulnerabilities of other political parties while protecting the interests of their own. The Soviet Union of the 1980s was a one-party state that differed in many important respects from the lim-

ited democracies of Western Europe. Furthermore, Gorbachev's reforms were not as far-reaching as those of the Western Europeans, and his political success was more short-lived. Nevertheless, Soviet liberalization may have been a product of political calculations very similiar to those of Disraeli, Giolitti, and Bismarck. In this section, I explore that possibility.

The underlying force that propelled Soviet politics after Leonid Brezhnev's death was the almost universally accepted need for some kind of economic reform. By 1982 the country had exhausted the possibility of further extensive growth. Planners could achieve goals for output in certain key economic sectors, but only at the expense of frequent shortages and inefficiencies elsewhere. Soviet agriculture continued to be a frustrating area that even massive investment could not help. Waste was an endemic feature of the cumbersome Soviet system for internal trade and product distribution. The black market flourished. More ominously, the Soviets were on the wrong side of a growing technological gap with capitalist states, a gap that threatened to make even the most advanced Soviet weapons systems obsolete.[22]

The deterioration of the Soviet economic system made the status quo untenable for the Soviet political elite. Brezhnev's long rule had been supported by extensive logrolling that allowed the growth of bureaucratic organizations in virtually every segment of the political system. In the aftermath of Brezhnev's death, Yuri Andropov attempted to salvage the old system through reliance on discipline and the removal of the oldest and most corrupt of Brezhnev's followers. After a brief period of retrenchment under Chernenko, Gorbachev revived Andropov's campaign.[23]

The chaos induced by the overzealous enforcement of an antialcohol campaign and by the lack of improvement in the country's economic indicators convinced many members of the Soviet elite that the viability of their positions depended on more basic reforms of the struggling Soviet system.[24] However, this recognition shattered the consensus that had

[22] Anders Aslund, *Gorbachev's Struggle for Economic Reform* (Ithaca, N.Y.: Cornell University Press, 1989), 10–21; Timothy J. Colton, *The Dilemma of Reform in the Soviet Union* (New York: Council on Foreign Relations, 1986), 32–67; Gail Lapidus, "Society under Strain," and Robert Tucker, "Swollen State, Spent Society: Stalin's Legacy to Brezhnev's Russia," both in Erik Hoffman and Robbin Laird, eds., *The Soviet Polity in the Modern Era* (New York: Aldine, 1984); Moshe Lewin, *The Gorbachev Phenomenon* (Berkeley: University of California Press, 1988), 101–11.

[23] Archie Brown, "Power and Policy in a Time of Leadership Transition, 1982–1988," in Brown, ed., *Political Leadership in the Soviet Union* (London: MacMillan Press, 1989); Stephen White, *Gorbachev in Power* (Cambridge: Cambridge University Press, 1990), 1–22.

[24] Aslund (fn. 22), 23–55.

characterized the Soviet leadership in the first few years of Gorbachev's tenure.

An effective economic reform of a planned economy requires, among other things, a drastic reduction in the size of the administering bureaucracy, a freer exchange of information, and the introduction of economic incentives tied to market conditions rather than to the dictates of local and national political officials.[25] In other words, the power and privileges of a significant proportion of the party and state elite has to be reduced or eliminated. Gorbachev's reform plan centered on his proposal for a new law that would decentralize enterprises. It quickly sparked the opposition of those segments of the state and party hierarchy most likely to suffer from its adoption.

It is not surprising that members of the leadership quickly stepped forward to gather the support of those members of the elite, principally party workers, who were agitating against reform. Egor Ligachev, assumed to be the most powerful man in the Soviet Union after Gorbachev, was widely recognized as the leader of this antireform faction.[26] In contrast to the old Brezhnevites, Ligachev did not deny that the Soviet economy had been stagnant since the 1970s, but he insisted that increased discipline and very limited reforms were the appropriate remedies. He resolutely denounced any attempt to introduce elements of a market economy into the Soviet Union and defended the role of the Communist Party in Soviet society.[27]

Ligachev and his supporters quickly advanced a political strategy designed to galvanize a broad section of the elite in opposition to reform. Rather than attacking Gorbachev's proposals for cuts in the party apparatus, which could easily have been labeled as self-interested protection of power and perquisites at the expense of needed reforms, Ligachev and his followers centered their attacks on glasnost, the free exchange of information that was a vital part of Gorbachev's reform plans.

This strategy was remarkably effective, for a broad segment of the

[25] L. I. Abalkin, speech at the Nineteenth Party Conference, *XIX Vsesoyuznaya Konferentsiya Kommunisticheskoi Partii Sovetskogo Soyuza: Stenograficheskii Otchet* (Stenographic report of the XIX Party Conference of the Communist Party of the Soviet Union), (Moscow: Politizdat, 1988), 114–19; Anders Aslund, "Gorbachev, Perestroika, and Economic Crisis," *Problems of Communism* 40 (January–April 1991); Marshall I. Goldman, "Gorbachev the Economist," *Foreign Affairs* 69 (Spring 1990); Ed. A. Hewett, "The New Soviet Plan," *Foreign Affairs* 69 (Winter 1990–91); James H. Noren, "The Soviet Economic Crisis: Another Perspective," *Soviet Economy* 6, no. 1 (1990).

[26] *New York Times*, May 28, 1987, p. 1.

[27] "Perekhodit' k Konkretnym Delam," *Pravda*, August 27, 1987; "Zhivoi Istochnik National'nykh Traditsii," *Sovetskaya Kul'tura*, April 7, 1988; Speech to XIX Party Conference, *Stenograficheskii Otchet* (fn. 25), 82–88; "Aktivnaya Pozitsiya Kommunista," *Pravda*, December 25, 1988.

Soviet elite felt threatened by the attacks on corruption, inefficiency, arbitrary uses of power, and the suppression of criticism that had become a regular feature of Soviet journalism. In addition, the conservatives could point to the country's growing ethnic strife as a direct result of glasnost. Thus, while professing their adherence to perestroika, Ligachev and his supporters could demand measures that would undermine the underpinnings of reform.

By most accounts their strategy very nearly succeeded. The publication of Nina Andreeva's angry denunciation of glasnost in early 1988, reportedly with Ligachev's sponsorship, led many Soviets to believe that liberalization had come to an end. For three weeks, until Gorbachev rallied support and had a rebuttal printed in *Pravda*, officials awaited orders to reverse his reforms.[28]

Gorbachev now found himself in a very difficult position: he had acquired sufficient support in the Central Committee to assure the approval of needed reform measures in June 1987, but the opponents of reform had skillfully circumvented the application of reforms both by bureaucratic means and by highlighting undesirable side effects of glasnost. The reformers badly needed some way to undermine the positions of their opponents while securing their own positions. Gorbachev's response to this predicament resembles that of the Western European conservatives. Much as they had done, he turned to a strategy of political liberalization.

Gorbachev had given his support to the idea of some liberalizing measures even before he came to power, and his speeches often stressed the importance of *democratizatsiya*, but he never elaborated on exactly what this meant.[29] He did not introduce concrete proposals for a major reform of the Soviet political system until the Nineteenth Party Conference of June 1988 and at the Central Committee plenum that preceded it. Understanding Gorbachev's motives does not rest on the assumption that he had become a convert to the ideals of democrats in the Soviet Union and abroad. Rather, his actions, like those of Disraeli, Bismarck, and Giolitti, can be understood in terms of the struggle for political power.

Gorbachev's report to the conference was not a collection of random proposals for political pluralism. Instead, his speech carefully laid out a program very deliberately constructed to undermine the organizational

[28] See M. A. Ul'yanov's speech at the Nineteenth Party Conference, *Stenograficheskii Otchet* (fn. 25), 190–99; White (fn. 23), 196–99; Nina Andreeva, "Ne Mogu Postupat'sya Printsipami," *Sovetskaya Rossiya*, March 13, 1988.

[29] "Zhivoe Tvorchestvo Naroda: Doklad Tovarishcha M.S. Gorbacheva," *Pravda*, December 11, 1984; "O Perestroike i Kadrovoi Politike Partii," *Pravda*, January 28, 1987.

ısis of his opponents' power while safeguarding the interests of his own ction.

Gorbachev opened his speech by reminding the delegates of the diffi-ılties facing the Soviet economy, pointing out that reform efforts were ɔt succeeding as well as had been hoped. He complained that pere-roika was being frustrated by the forces of stagnation (*zastoi*)—a word sociated with the late Brezhnev era. He thereby tried to convince his ɪdience that if opponents of his reform plan were successful, the coun-y would revert to the unacceptable status quo ante.

Having identified the threat to perestroika, he then offered a strategy defeat his opponents. Reform, he said, could be made irreversible only ırough the instrument of political democratization. He called for the vival of the soviets (the country's local and national legislatures) and, ore importantly, demanded that they be granted exclusive control over cal and national governments.

The Communist Party must be separated from governmental control, he said, in order to restore the party to its natural role of political van-guard. Gorbachev was quick to point out that a vanguard party had little need of an extensive apparatus, since party involvement in governmental affairs was contrary to Leninist ideals. In short, he proposed to eliminate the CPSU as a source of political and administrative power. That power would be transferred to the state. Because Ligachev and his followers were concentrated in the party apparatus, the political reform would cut them off from the implementation of economic reform.

Gorbachev was careful to ensure that liberalization would not harm his supporters, however. Representation would be given not only to in-dividuals in the country's various electoral districts but also to those groups likely to counteract any overly radical popular sentiments. Gor-bachev had no intention of making it easy for radical democrats to push him and his supporters aside.

Gorbachev also proposed that, as a rule, local party bosses should chair the soviets in their areas, assuming that they could get themselves elected. Gorbachev thus guaranteed himself at least the tacit support of those first secretaries who believed that they could control their jurisdictions; in this way he cut off the central apparatus from its natural base of support in the provinces and further isolated his opponents. But of course, he said, those secretaries who could not muster sufficient popular support would have to "draw the appropriate conclusions."

Although he anticipated that cuts would be necessary in the govern-ment ministries, Gorbachev was careful not to echo the general anti-ministerial sentiment of many delegates. He was not so foolish as to risk

losing the support of Nikolai Ryzhkov and other government figures in the Central Committee who expected to gain from the loss of party power. The state apparatus, in combination with the new structures created in the aftermath of the conference, formed the heart of the forces that Gorbachev mobilized against the Party.

Despite the vehement protests of many speakers at the conference, Gorbachev made sure that none of the fundamental criticisms of glasnost made their way into the official records of the conference. Ligachev was consigned to a committee that produced a meaningless document about the struggle with bureaucratism; he was not a member of the committees that prepared the conference's two chief documents, which adopted Gorbachev's major proposals.[30]

It can thus be argued that Gorbachev had used the strategy of political liberalization to attack his opponents while securing the position of enough of his supporters to be able to fend off attacks on his policies. It is certainly true that his victories at the May plenum and the June conference brought him considerable success in the short run. The Soviet Union witnessed its first real elections in March 1989. The Congress of Peoples' Deputies that resulted chose a Supreme Soviet that approved virtually every proposal Gorbachev put before it.

Over the course of 1989 and 1990 power steadily flowed from the national party apparatus to the state, leaving Ligachev and the other conservatives without a national platform. Gorbachev's success in 1988 gave his coalition the needed strength to ward off the attacks of hard-liners outraged by the growth of popular opposition and ethnic separatism. At the February 1990 Central Committee Plenum and the Twenty-eighth Party Congress, the remaining powers of the national party apparatus were transferred to strengthened state bodies, and the repeal of the statutory guarantees of party power was approved.[31]

More important, the Central Committee voted shortly before the congress to end its role as the most important constituency of Soviet politics. The clearest sign of this change was the reorganization of the Politburo, which was substantially enlarged while being deprived of its most influential members. The Central Committee lost its statutory right to remove the party leader and ceased to function as the primary forum for the discussion of important policy changes. Gorbachev's supporters in the committee evidently now felt free to exert their influence through state channels, bypassing the party-based conservatives. The success of

[30] Nineteenth Party Conference, *Stenograficheskii Otchet* (fn. 25), 19–92, 112–20, 135–44.

[31] John Gooding, "The XXVIII Congress of the CPSU in Perspective," *Soviet Studies* 43, no. 2 (1991).

orbachev's maneuvering was dramatically illustrated in 1990, when ›nservatives abandoned the national arena in hopes of turning the :wly formed Russian Communist Party into a counterweight to the ıtional government.[32]

At the local level the liberalization activated popular pressures that vept conservative party secretaries from power over the course of the :xt year. Between the beginning of 1989 and the Twenty-eighth Party ongress in the summer of 1990, 42 percent of the regional first secretar-s of the Russian Republic were retired, many as a direct result of mass ;itation.[33]

Like Bismarck, Giolitti, and Disraeli, Gorbachev used a strategy of ›litical liberalization to defeat opponents and to consolidate the power 'his faction. But this victory came at a price. As was the case in Britain, russia, and Italy, the reforms generated popular pressures for further ›eralization and created opportunities for new political elites to create ıses of support.

Although Gorbachev maintained his hold on the national organs of power, radicals in several Soviet republics, including Russia, were able to gain power by taking advantage of the laws passed in support of Gorbachev's strategy. They obtained the repeal of some of those reform provisions designed to assure the supremacy of Gorbachev and his followers over the political system. More importantly, radicals were unafraid to use strikes and demonstrations to achieve political objectives.

Economic reform proved to be more intractable than reformers had imagined in 1988.[34] Successful reform required marketization and massive government cutbacks. But Gorbachev needed the support of state officials who would have been harmed by these measures. This dilemma, rather than any natural hesitancy, caused Gorbachev to vacillate on reform, as he accumulated new powers but hesitated to use them.

In the end the problems and contradictions of the Soviet regime proved to be insurmountable. Gorbachev's attempts to balance the ministries, security services, and military against the increasingly powerful democrats finally foundered when a weakly supported junta launched an abortive coup that quickly collapsed in the face of popular resistance. In the aftermath of the disaster the Soviet Union fell like a house of

[32] Ibid., 242–46.

[33] My own survey of Soviet announcements of personnel changes. See Viktor Radzievskii, "Konservatism Ukhodit v Otstavku," *Moskovskye Novosti* 9 (1990); "Kogo Zakhlestyvayut Volny?" *Pravda*, March 11, 1990.

[34] Anders Aslund, "The Making of Economic Policy in 1989 and 1990," *Soviet Economy* 6, no. 1 (1990).

cards, leaving the question of economic and political reform in the hands of a fragmented democratic opposition.

The Soviet case differs from its Western European counterparts in that Gorbachev failed to create a lasting political base. Bismarck, Disraeli, and Giolitti used liberalization to consolidate their power and continue their political leadership for decades after the adoption of their reform proposals. Measured against this standard, Gorbachev was not very successful: he found himself out of power three years after his speech at the Nineteenth Party Conference.

In Britain, careful gerrymandering had combined with middle-class fear of the rising power of the workers to guarantee Disraeli political support for many years after the 1867 reform. Bismarck benefited from the National Liberals' fears of the socialists, and from his appeals to German nationalism. Giolitti relied on the support of his prefects, who gained from their powerful position in the countryside and rewarded him with electoral victories. Gorbachev did not control any equivalent of Giolitti's prefects. Party officials who could conceivably have played that role had been too seriously weakened by his original reforms and in any case were not ready to forgive Gorbachev. Worse still, the state officials who had been the original beneficiaries of Gorbachev's liberalization strategy no longer had confidence in his ability to maintain order. By August 1991 his support had evaporated.

In another way, however, the Italian and Soviet cases are somewhat similar. Giolitti's position depended on a careful balance of the Right and Left that became more and more tenuous over time, as both sides grew leery of the prime minister's constantly shifting allegiances.[35] Gorbachev sought to maintain just such a balance in the period following his liberalizing reforms, but the collapsing Soviet economy compressed the time available to him. Ultimately, the country was radicalized to a degree that made a centrist position impossible.

Conclusion

Between 1985 and its demise in 1991 the Soviet Union experienced tremendous changes. The Soviet Communist Party approved reforms that began a democratic transition, and it tolerated the growth of a powerful opposition that would eventually defeat it. By the end of 1990 the Party's Politburo and Central Committee had ceased to play a decisive role. By the summer of 1991 the Soviet Union had ceased to exist.

[35] Mack Smith (fn. 21), 337–47.

Because the most important steps of this liberalization were approved prior to the activation of popular pressure, and because the Soviet elite had previously shown no great affinity for democratic values, it might seem that we are faced with a contradiction. Why would Soviet rulers choose to vote themselves out of power?

An examination of several cases from Western Europe has suggested an answer. Politicians locked in factional or party conflict sometimes employ a strategy of political liberalization as a means of defeating their opponents and securing their positions, even though they feel no great fondness for democratic participation.

In the Soviet Union, Gorbachev and his supporters faced a severe threat, as conservatives strove to block their plans for economic reform. The reformers turned to the strategy of political liberalization, proposing measures designed to remove the opposition from the center of the political arena while safeguarding their own power and position. The successful implementation of these reforms shifted power to the Soviet state and undercut the support of Ligachev and his compatriots.

In Western Europe, Bismarck, Disraeli, and Giolitti were willing to risk the growth of mass opposition in exchange for short-term victory over their opponents. Although they operated under very different political circumstances, Soviet reformers also appear to have discounted future events. Gorbachev may have recognized that the liberalizing elements of perestroika would eventually jeopardize his and his supporters' positions, but it appears that he was willing to take this risk in exchange for the defeat of the conservatives who posed the most immediate threat.

From this perspective, perestroika is no longer a mystery. A proper accounting of the interests and motivations of political actors yields the expectation that a politician's calculations of his immediate political needs will often overcome ideological scruples about popular participation. Because Gorbachev convinced pivotal members of the Soviet elite that his reforms would bring them significant gains in the short term, they supported liberalization. As was the case in Western Europe, even those who are apparently hostile to liberalization can, under the right circumstances, become champions of democracy.

SOVIET POLITICS AND AFTER
Old and New Concepts

By WILLIAM E. ODOM

THE kaleidoscopic pattern of events in Soviet politics makes analysis of them a hazardous endeavor, but it is imperative to try to interpret the radical change that has come with more than six years of perestroika, punctuated by an abortive coup in August 1991, the recognition of the independence of the former Baltic republics, and the transition from the Soviet Union to a commonwealth of independent states. At the same time, the breakdown of the old political system offers unprecedented opportunities, first, to reassess some of our older analytic concepts and second, to think tentatively about some new approaches.

The totalitarian model essentially dominated Western analysis until the early 1960s, when several new paradigms were proposed. T. H. Rigby's "organizational society,"[1] Alfred Meyer's "USSR, Incorporated" model,[2] and Carl Linden's conflict model[3] were among the first such attempts to reconceptualize Soviet politics. Rigby suggested that political systems can be "traditional" (based on "custom") or "contract" (based on "markets") or "organizational" (based on "command"). And of course, in the developmental process elements of two or all three types may be found in a single polity. The Soviet Union, in his view, "is one of the most highly developed . . . 'organizational' societies." Meyer emphasized the organizational aspect as well, treating the USSR as one big corporation. Both scholars emphasized the continuity of the enormous state role in the economy and society together with the abrupt decline of Stalin's terror. And they were concerned with how power might diffuse within the massive bureaucratic structures. Linden focused exclusively on the changing politics at the top, finding conflict among cliques of leaders that

[1] Rigby, "Traditional, Market, and Organizational Societies and the USSR," *World Politics* 16 (July 1964). This excellent essay still offers useful ways of looking at Soviet politics.

[2] Meyer, "The USSR, Incorporated," in Donald W. Treedgold, ed., *The Development of the USSR: An Exchange of Views* (Seattle: University of Washington Press, 1964). Meyer elaborates the concept more fully in *The Soviet Political System* (New York: Random House, 1965).

[3] Linden, *Khrushchev and the Soviet Leadership, 1957–1964* (Baltimore: Johns Hopkins University Press, 1966). Linden's excellent monograph, *The Soviet Party-State* (New York: Praeger, 1983), strikes me as somewhat at odds with his effort to develop his "conflict" model. Rather, his insightful treatment of the ideological foundations of the system places him closer to the totalitarian model.

World Politics 45 (October 1992), 66–99

had been repressed under Stalin. For him, the diffusion of power pattern was from the "one" to the "few."

In the early 1970s H. Gordon Skilling and Franklyn Griffiths applied group theory to the Soviet Union.[4] Unlike the earlier three alternatives, which took a comparative approach but emphasized the unique organizational character of the Soviet system, group theory implicitly shifted attention away from that dominating reality and imputed a Western pluralist pattern of diffusion of power. Somewhat surprisingly, the first three successor models never really took hold in the field, even though they captured much that was central and important in Soviet politics. Equally surprising, group theory did catch on, notwithstanding its many shortcomings in dealing with the Soviet realities.[5]

In the 1980s Skilling offered an appraisal of the results of using group theory and a critique of two additional models for understanding the Soviet system. Darrel P. Hammer's "bureaucratic pluralism" and "corporatism" as applied by Valerie Bunce and John M. Echols III struck Skilling as not very compelling alternatives. At the same time, he was remarkably candid in admitting that group theory "did not succeed in one of its purposes—namely, to contribute to a more comprehensive general theory of group politics," but he nevertheless insisted that it had proved useful in much empirical research. As for the future, he saw little prospect "for an early advance to a more pluralistic society in the Soviet Union or elsewhere in Eastern Europe."[6]

For all the efforts at developing new concepts and approaches for studying Soviet politics, nothing fully replaced the old totalitarian model. Certainly nothing rivaled its dominance, and even in recent years some distinguished scholars had not wholly discarded it. As late as 1987, for example, Barrington Moore, Jr., still found it applicable.[7]

The first part of this essay explains why the totalitarian model has far more analytical utility than its competitors (which is not to deny that the others have yielded insights). At issue is what each emphasizes, uncovers, and encourages us to anticipate about system dynamics. The totalitarian model captures critical features of the system that tend to get pushed aside by other models. Had those features been the central focus for anal-

[4] Skilling and Griffiths, eds., *Interest Groups in Soviet Politics* (Princeton: Princeton University Press, 1971).

[5] For a critique of its limitations, see Odom, "A Dissenting View on the Group Approach to Soviet Politics," *World Politics* 28 (July 1976).

[6] Skilling, "Interest Groups and Communist Politics Revisited," *World Politics* 36 (October 1983), 24–27.

[7] Moore, *Authority and Inequality under Capitalism and Socialism* (Oxford: Clarendon Press, 1987), 36.

ysis, scholars would likely have asked more appropriate questions about change and where the system was tending. Moreover, the model could have been supplemented by middle-range theories to help answer those questions.

Second, and equally important, in dismissing the totalitarian model, we lost the basis for measuring change. The alternative models introduced notions of change a priori without empirically establishing them, much less providing reference points for demonstrating the degree of change. Further, they encouraged us to see political development and the emergence of new institutionalization in the Soviet Union when in fact we were witnessing the political decay of totalitarian institutions. The abortive coup in August 1991 revealed precisely this: the absence of political development and the advanced stage of decay.

The latter point leads to the third part of the essay, a consideration of concepts that are appropriate successors to the totalitarian model. The demise of the old system offers the opportunity to bring the field of Soviet studies successfully into the mainstream (if there is one) of comparative politics. Early efforts to achieve this failed because they aspired much too early or were attempted at the wrong level of generality.

Reference Points

For at least three decades we were concerned with change in the Soviet Union, but Gorbachev's reform efforts gave new urgency to that concern. We must have reference points against which to measure change, yet the record of establishing such a basis is poor. Following Khrushchev's de-Stalinization and renunciation of the blood purge in party politics, the generally accepted reference points seemed to be the six defining characteristics of the totalitarian model. Not everyone accepted them, of course, and much of the debate over the past couple of decades included claims that the totalitarian model never really described the Soviet system.[8] As this outright rejection came to be more widely accepted, we found ourselves left without a common basis for discussing either what existed before or what has come to pass more recently. Unless such a reference can be established, any discussion will lack both clarity and cogency.

A macromodel for a political system cannot account for every political action within a state, but it should at least (1) capture the features of critical importance; (2) offer a basis for comparison with other systems;

[8] See the discussion in the *Russian Review* 45 (October 1986), 357–416; and 46 (October 1987), 379–431.

and (3) account for change.[9] The six defining characteristics offered by Friedrich and Brzezinski certainly identified the most important patterns and institutions of the system. Moreover, unlike some of the later candidates to replace it, the Friedrich-Brzezinski model has empirical referents for these characteristics, that is, institutions, ideas, and processes that can be identified as either extant or absent.[10]

For all its imputed faults, however, the old model measured up fairly well as a broad concept for defining the Soviet political system in its second and third decades. If that can be reasonably demonstrated, it seems fair to take the totalitarian model as a reference point for examining what has changed between then and now. It would then fall to the dissenters to provide a better alternative. Let us review the model against the first of the foregoing three criteria—that it identifies the features of critical importance.

1. The official ideology has been abundantly evident. The outpouring of free expression under glasnost has demonstrated how thoroughly embedded ideological precepts were in Soviet political thought and analysis.

2. The Communist Party of the Soviet Union indisputably existed until very recently. It long proclaimed itself both a revolutionary party and an elite party, the leading sector of society. A great deal is known about its structure and its methods of operation, as well as about how it penetrated and used state administrative organs, the courts, mass organizations, educational institutions, and all other social and economic institutions. Its central role in the system has never been disputed.

3. Terror certainly characterized Soviet politics from the revolution onward. Some have argued that the Great Terror of the 1930s was not all that great,[11] but no one has seriously argued that it was not terror. Some have argued that it essentially disappeared after Stalin, but most Soviet spokesmen today disagree. Certainly, its forms became more subtle, more subdued, and much less intimidating.[12]

[9] Huntington discusses these three features, which are necessary for a model to be "accepted and useful." See Huntington, "Paradigms of American Politics: Beyond the One, the Two, and the Many," *Political Science Quarterly* 89 (March 1974), 7.

[10] The literature on the totalitarian model is growing, and the variety of arguments is large. I am sidestepping most of the debate by taking only the Friedrich-Brzezinski variant. The concept has too many authors and too much history to list them all briefly and elaborate them fairly. Proponents who offer strong, commonsense analysis include Juan J. Linz, "Totalitarian and Authoritarian Regimes," in Fred I. Greenstein and Nelson Polsby, eds., *Handbook of Political Science* (Reading, Mass.: Addison-Wesley, 1975), 3:1745–411; Moore (fn. 7), 36ff.; and Pierre Hassner, "Communist Totalitarianism: The Translantic Vagaries of a Concept," *Washington Quarterly* 6 (Fall 1985). Although this selection does injustice to a large number of other scholars, it at least captures important highlights.

[11] See J. Arch Getty, *Origins of the Great Purges* (New York: Cambridge University Press, 1985); and Jerry Hough, *How the Soviet Union Is Governed* (Cambridge: Harvard University Press, 1979), 174–78.

[12] Part of the problem with "terror" as an analytical concept is defining it. The authors of the model would surely qualify as terror the fear of incarceration and execution with no

4. The command economy, created in the course of the First Five-Year Plan, gave state planners unprecedented central control over resources, which allowed them to dictate investment rates and patterns to a degree never seen before. The persistence of the enormous bureaucratic structure required by Soviet central planning was painfully evident during perestroika. Much of the Western optimism about various reform efforts to decentralize the system (such as "Libermanism" in the 1960s) has proved grossly misplaced.

5. The party monopoly of the media was certainly a reality from the late 1920s up to Gorbachev's glasnost policy. Western specialists never disputed the existence of this important institution of control. Rather, they worked to penetrate it, to understand the party's "general line" and its specific lines, and to discern esoteric signals reflecting dissension and conflict in the policy processes.

6. The Party's monopoly of the armed forces and the police was sustained by a vast party apparatus within these institutions, a highly visible and vocal structure dedicated to ensuring party loyalty at all levels, especially within the officer corps. While there has been dispute about the party-military dynamics created by party controls, their existence and purpose was never in question.[13]

Surely the central realities of Soviet politics, if not all the lesser realities, are captured by these six characteristics. They embrace the system's ostensible goals, its institutional and ideological means, and their mutually reinforcing relationships.

As for the second standard, that a model be comparative, this totalitarian pattern has appeared in several other states, namely, the East European members of the Warsaw Pact, China, North Korea, Cuba, Vietnam, Albania, and, to a considerable degree, Yugoslavia. Signs of the emergence of the pattern have appeared elsewhere, for example, in Nicaragua under the Sandinistas, Ethiopia, Afghanistan, Laos, Cambodia, and South Yemen. The fit is far from perfect in several of these states, but it is certainly sufficient to make the model an excellent basis for comparison.[14]

serious judicial process, if one had seen that happen to a significant number of fellow citizens. Fear of losing one's job, career, and status with no recourse might also qualify, but agreement on this definition might not be as wide. I have no solution to this definitional problem beyond a commonsense judgment that fear was more widespread and far more significant for Soviet citizens than for those living under most other political systems; and in some states, fear and terror for some parts of the population may be as severe as it ever was in the Soviet Union. In general, however, the Soviet system seemed to create that climate on a broader scale than did most nontotalitarian forms of dictatorship.

[13] For a debate on this topic, see Dale R. Herspring and Ivan Volgyes, eds., *Civil-Military Relations in Communist Systems* (Boulder, Colo.: Westview Press, 1979), chaps. 1–3.

[14] Although Giovanni Sartori rejects most attacks on the totalitarian concept, he objects to grouping these six characteristics as a totalitarian "syndrome," noting that some of them are shared by liberal democracies, e.g., control of the armed forces and the police. He does not see the "interconnectedness" necessary to make them a syndrome. See Sartori, *The Theory of*

Whether the model meets the third standard—that it account for the dynamic behavior of a system—is subject to debate. There is unquestionably a static quality to the way Brzezinski describes it.[15] Cycles of purges repeatedly restore the system's vitality, keeping it in equilibrium. Perhaps more troublesome, the Friedrich-Brzezinski version of totalitarianism seems to leave the leader with only a single, predictable course of choice making. He must act to maximize this power, to resist its diffusion, and to eliminate all challenges to it.

Among the early critics of the model, Robert C. Tucker focused specifically on this problem.[16] According to the model, Khrushchev should never have de-Stalinized. Instead, by renouncing the blood purge, he undercut one of the major defining characteristics of the system and made it easier for political opposition to erode his power. Why did he do it? The model is silent; indeed, according to the model, the question should never have arisen. The answer, however, is fairly clear: political leaders are voluntarists, free to make choices.[17] Dictators especially have a broader latitude of choice than their subordinates and fewer constraints on its exercise. The leader who wins the top position in such a system is certainly free to make choices that will undermine his power—and the system. He may intend that result. Or he may be a poor judge of the potential consequences of his policies and fail to anticipate how they will reduce his power or impair the political system. Khrushchev and Gorbachev apparently fall into the latter category.

The way Friedrich and Brzezinski defined the system does not inherently rule out such system-altering choices, but they did not stress them as a possibility, apparently because they deemed the probability as remarkably low. Both Khrushchev and Gorbachev demonstrated that leadership choice had become one of the more important variables in the system. The implication of this voluntarist element for the totalitarian model is that the system can decay, lose its restorative quality, and per-

Democracy Revisited (Chatham, N.J.: Chatham House, 1987), 193–203. As we watch the Soviet Union and the new East European regimes struggle with system change, however, the interconnectedness of the characteristics becomes painfully evident.

[15] Brzezinski, *The Permanent Purge* (Cambridge: Harvard University Press, 1956).

[16] Tucker, "The Dictator and Totalitarianism," *World Politics* 17 (July 1965).

[17] This assertion, of course, eschews the traditional philosophical debate about determinism and free will. Western political science, however, generally takes as one of its distinguishing philosophical foundations that humans can and do make choices in some "free will" sense; this assumption is essential for the normative side of the discipline. For other disciplines—psychology, sociology, and anthropology—the assumption is much less important. Even Marx assigns a critical role to voluntarism: the working class has to achieve "consciousness" of the role of property ownership so that it will understand why revolution makes sense. Some recent trends in political science, i.e., the use of rational-choice theory, seem destined to revive the old philosophical debate in the guise of "human agency."

haps even collapse. It does not suggest an evolutionary dynamic, a continuous process leading smoothly to systemic change. On the contrary, it removes the totalitarian system from the continuum that runs from authoritarianism to pluralism and endows it with a uniqueness that distinguishes it from other types of dictatorships.

Another frequent criticism of the model's static quality is less convincing. Presumably, if Stalin had amassed all the power for himself, he essentially destroyed "politics" within the system, politics being choice making below the level of the Politburo about "who gets what, when, and how," to borrow Harold Lasswell's definition.[18] Clearly that is what both Lenin and Stalin sought, but both also understood politics as having a strong voluntarist component, one they tried to constrain with mass ideological training and party discipline. They also knew that such constraints were not sufficient to prevent a gradual diffusion of power within the party and state bureaucracies after power had been centralized. Periodic purges were one mechanism to contain this diffusion of power, to recentralize it to the degree possible.

Far from being devoid of politics, the totalitarian system housed politics in the extreme. Blood purges were highly political. Initiating them and managing them required enormous skill. To be successful, they required cooperation from below—induced, if not voluntary—in identifying deviant behavior among party and state cadres and in rooting it out. The process was inherently messy, and the innocent as well as the guilty suffered mightily. Not surprisingly, cadres at the local level exploited the purges for their own purposes to the extent possible.[19] However stressful and terrifying a purge might be, lower-level cadres were nevertheless soon exercising limited discretion at the expense of the center, and within a few months or years the diffusion of power began once again.[20] In this sense, in its emphasis on terror and the leading role of the party, the totalitarian model captured a central dynamic feature of the system: the extremism of its political life.

Thus, as measured against these three criteria, the model is hardly a

[18] Essentially this is the starting assumption for "social historians" such as Sheila Fitzpatrick, J. Arch Getty, and Roberta T. Manning. See the discussions in the *Russian Review* (fn. 8). These scholars use the dichotomy "from above"/"from below" to study the Stalin period in a way that ridicules the totalitarian model. To a large degree, they have adopted a straw man as an alternative in their effort to make a straw man of the totalitarian model.

[19] Merle Fainsod offers abundant empirical evidence of this local political voluntarism. See Fainsod, *Smolensk under Soviet Rule* (Cambridge: Harvard University Press, 1958). Getty (fn. 11) lets a similar impression emerge from his evidence, though his thesis may seem to say otherwise.

[20] For a case study of this kind of bureaucratic diffusion of power and its periodic recentralization, see Odom, *The Soviet Volunteers* (Princeton: Princeton University Press, 1973).

failure. No other model comes close to describing adequately the Soviet political system during most of its existence. The earlier alternatives offered by Rigby, Meyer, and Linden did not reject the totalitarian concept so much as they attempted to modify it. Ribgy's "organizational society" and Meyer's "USSR, Incorporated" focused on the extreme bureaucratization of the system, but they tended to de-emphasize the ideology and to be tentative about the dynamics, that is, where the system was headed. Linden's "conflict model" looks less like an alternative model than a modification of the totalitarian view of leadership. He correctly shows that even after Khrushchev was indisputably in charge, conflict continued in the top leadership circles. In retrospect, that was true for Stalin until late in his rule; and he continued to act as if it remained true, anticipating and preempting such competition.

The later alternatives—group theory, institutional pluralism, bureaucratic pluralism, and corporatism—break sharply with totalitarianism. They all imply that a systemic change was occurring, a transformation caused by increasing policy initiatives from below aimed at competition for resources. And they have difficulty finding clear and unambiguous cases to demonstrate this change. Most of them can be better analyzed with concepts from organizational theory. Group theorists in particular have difficulty clarifying both the "group" and the "interest" in specific cases. Darrell Hammer, hard pressed to explain why bureaucratic pluralism is not really group theory, says that it is not "a struggle for power but a struggle for resources."[21] But are not resources the substance of power? Moreover, struggle for resources is at the heart of totalitarianism. Both institutional pluralism and corporatism hold that policy initiative comes more and more from below, and they also assume the ascendancy of law, rules, and constitutionalism, implications wholly unsupported by the events of the Gorbachev period. And although neither deals with the stagnation of the command economy, both assume that a modicum of economic growth can be sustained indefinitely. Where these models capture the central realities of the system, they overlap with totalitarianism, and where they emphasize other things, they neglect central realities.

False and Valid Promises

The most serious flaw of the various alternatives is not that they fail to capture what is central about Soviet politics (although some are very weak in this regard) or that they fail to provide a basis for comparison

[21] Hammer, *The Politics of Oligarchy* (Boulder, Colo.: Westview Press, 1986), 238.

with other systems. Rather, they err in their characterization of the dynamic character of the system, in the kind of change they promise. Those that introduce the concept of group politics or some notion of pluralism are weakest in this regard.

Jerry Hough, a persistent critic of the totalitarian model, observed: "Had we continued to accept the interpretation of the literature on totalitarianism, our initial assessments of Gorbachev's prospects would have been far more accurate"[22]—a remark that, needless to say, occasioned surprise among many of his readers. His purpose, however, was not to restore the general utility of the model but rather to make the case that Gorbachev had vanquished his opposition and was powerful enough to carry through radical reform. In general, Hough emphasized liberal trends in Soviet politics. With Western liberal democracies at one end of the spectrum and authoritarian systems, including the Soviet Union, at the other, change in the Soviet system would move it in the liberal democratic direction. It may not have moved very far, but it was moving nonetheless. Thus, Hough treated "participation" in Soviet politics as having a great deal in common with participation in Western systems, and the general secretary of the Party and the Central Committee as having a lot in common with a prime minister and a parliament.[23] Concerning the diffusion of power within the system, he uses the term *institutional pluralism* (rather than interest groups), though he would admit that it is not wholly parallel to pluralism in the West.

In 1979 Hough was fairly cautious about the future and recognized the potential for fragmentation among national lines.[24] Nevertheless, he did not rule out a liberal democratic development stemming from the forces of generational change, social change, urbanization, and industrialization.[25] Based on various factors—creeping institutional pluralism in the mid-1960s, his perception of Brezhnev's economic program as a large wealth transfer to the lower-income strata, and analogies he drew with Western participatory democracy and parliamentary rule—Hough expected continuing movement toward the liberal end of the spectrum.[26]

A similar expectation is much stronger in the group approach to So-

[22] Hough, "Gorbachev Consolidating Power," *Problems of Communism* 36 (July–August 1987), 21.

[23] Hough (fn. 11), 277–78, 544.

[24] Ibid., 556–76.

[25] See Hough, *Soviet Leadership in Transition* (Washington, D.C.: Brookings Institution, 1980).

[26] To be sure, Hough never made highly specific predictions on this point, and he occasionally provided caveats—especially in the final chapter of *How the Soviet Union Is Governed* (fn. 11)—but this was hardly of sufficient weight to balance his optimistic message about liberal trends in Soviet political change.

viet politics, which held that power was diffusing to groups. Groups compete and constrain each other; deals are cut; decisions are made on how resources are allocated. Rules for this pluralist political process are not formal but become internalized. If this is happening, adherents would say, the system is moving on the spectrum of extremes from the authoritarian pole toward the liberal pole. Unfortunately, such analysis does not give any hint of a discontinuity on the spectrum or a limit beyond which the system cannot evolve. Indeed, the group approach to Soviet politics failed to see that the logical consequence of increasing group activity could be the breakdown of the system.

Models of Soviet politics that emphasize the enduring authoritarian character of the system, such as Hammer's bureaucratic pluralism, may come closer to identifying critical and central aspects of the system, but they too imply the possibility of a liberal development. Because the system is no longer totalitarian, but merely "authoritarian," that is, a specie of the general family of dictatorship that excludes totalitarianism, it must have prospects of liberal development. The period since World War II has witnessed the transformation of several authoritarian systems to liberal democracy, for example, Spain and Portugal. And others, such as Taiwan, South Korea, and Chile, show progress in that regard. The change was not accomplished by a system collapse or upheaval but rather was managed with a large degree of institutional continuity.

George Breslauer offers a similar line of analysis. For him, "authority is legitimized power";[27] the removal of terror opened the door to the building of authority and the increase of legitimacy of the rulers. Moreover, the dynamics of this process included a reformist impulse that was checked by limited resources and excessive expectations, a leadership crisis, and another reformist impulse by the next leader to build authority. Breslauer implies that the reformist impulse and the increasing dependency on legitimate authority were pushing the system toward a qualitative change in a liberal direction. His analysis is quite persuasive about the sequence of reform and reaction, but he fails to consider that reforms could undermine the system and thus leaves the liberal promise as the logical inference.

In the first few years of the Gorbachev regime, this promise, implied or explicit in the newer models of Soviet politics, seemed on the verge of realization. Gorbachev had more or less suspended censorship, invited the liberal intelligentsia to participate in perestroika, undercut the Party's power, and introduced free elections. In 1990, however, a number of

[27] Breslauer, *Khrushchev and Brezhnev as Leaders: Building Authority in Soviet Politics* (London: George Allen and Unwin, 1982), 3.

repressive steps were taken, and the reformers lost ground. In 1991 the fecklessness of repressive policies was increasingly apparent, as the system verged on breakdown, prompting a reactionary clique to try to reverse perestroika and save the old order. The immediate aftermath of the abortive August coup witnessed not evolution but the collapse of the old system. This included the breakaway of the Baltic republics, with the other republics soon to follow, the latter retaining a loose commonwealth relationship.

Proponents of the optimistic view of the prospects for liberal development often spoke of the need for more time for authority to reassert itself and carry through liberal reforms.[28] To be sure, political reform takes time, but a generous amount of time has already elapsed—Stalin died almost forty years ago. If pluralism and group politics have been identifiable on a significant scale for nearly four decades, if authority based on legitimacy has been accumulating over that period, if social changes in the education and urbanization have brought the Soviet population into line with liberal democracies of the West, why then was it not a relatively easy matter for Gorbachev to move to liberal democracy? That was what we had been led to expect, and although Gorbachev himself was never so explicit, that is what Western analysts generally intended when they referred to his "success."

Certainly, the scholars in question would argue that they did not specifically predict liberal development. Thus, Hough in his 1979 textbook refuses to predict, and he reviews possible scenarios that capture much of what eventually happened under Gorbachev. Breslauer avoids speculation about the future. Most other scholars subscribing to one or another version of creeping pluralism in the Soviet Union hedged their bets about specific outcomes. But the fact remains, nonetheless: they encouraged the expectation of pluralism, law-based stability, and constraint on the leadership[29] by analysis that implied system transformation through gradual reform. What we witnessed during the abortive August coup suggested little reform and transformation over the past several decades.

Another kind of false promise did not anticipate pluralism in the near future. As Timothy Colton put it, the backlog of problems is serious, but "the survival of the Soviet system is not in question."[30] This was not an imprudent judgment in 1986 when it was made, but the accompanying

[28] See, e.g., Stephen F. Cohen, "Gorbachev the Great," *New York Times*, March 11, 1991, p. A15.

[29] Skilling is the exception. He flatly judged the prospects for such an outcome to be very small.

[30] See Colton, *The Dilemmas of Reform in the Soviet Union* (New York: Council on Foreign Relations, 1986), 32.

prediction of "moderate reform" was. Once moderate reform begins, Soviet-type systems seem to become unstable. Imre Nagy discovered this in Hungary in 1956, and Dubcek found it to be true in Czechoslovakia in 1968. The Chinese leaders, too, have had to pull back from moderation.

Had Colton based his analysis on the potential dynamics of totalitarianism, he might well have argued compellingly that the system's survival was not at stake. For that to be the case, however, he should have predicted not moderate reform but cadre revitalization, purges, and greater party discipline. Only thus could Gorbachev have slowed the system's decay. Alternatively, the prediction of moderate reform should have been accompanied by greater concern with system breakdown.[31] Alexander Motyl has recently advanced an analysis precisely on this line, arguing that reform endangers multinational totalitarian systems rather than achieving improvements or evolution.[32]

The point here is not to mark scorecards on past predictions. It is to demonstrate that any useful model of Soviet politics has to convey something about the dynamics of the system, the kind of change that is occurring, and where it will lead. Most of the efforts to find successors to the totalitarian model have fared poorly in this respect. Hough was quite right in saying that we would have understood the Gorbachev period better had we stuck with the totalitarian model.

Asking the Right Questions

With Khrushchev's de-Stalinization and the disillusionment with the totalitarian model, many analysts began to ask what new model would make sense. The failure to provide an answer that fully displaced the old model suggests it may not have been the most important or the most analytically promising question. At least two other questions could have yielded more fruitful answers.

First, let us assume that Khrushchev did indeed bring an end to terror. That would mean that one of the six defining features of the model had disappeared but that the other five remained, even if not in the healthiest condition. The most appropriate question should then have been to ask what the dynamics of Soviet politics were within the context of these remaining five.

Textured answers to that question would have required extensive em-

[31] For this line of analysis, see Odom "How Far Can Soviet Reform Go?" *Problems of Communism* 34 (November–December 1987).

[32] Motyl, *Sovietology, Rationality, Nationality* (New York: Columbia University Press, 1990), 64–71.

pirical research, but some speculative answers come to mind at once. If there were no blood purges and if party cadres were allowed to remain fairly stable (and not shuffled frequently), we should have expected that cliques of local elites would form to defend themselves and their privileges from pressure to meet performance goals dictated by Moscow. Had they not tried that even during the purges? Had they not fought each other for power? Would not diffusion of power be a function of the degree to which they succeeded in forming and maintaining these small cliques? And would that not erode the system's capacity to shift resources dramatically for investment and new programs?

In hindsight, we are much aware of the so-called second economy. We know of regional mafias, of the sale of offices in some regions, of the sale of advanced degrees and many other political, social, and economic goods. We have witnessed a decline in ideological fervor, yet a clinging to ideological precepts and formulas when they justified a desired allocation of values.[33] In other words, what has happened is more or less what we would have anticipated at a general level had we asked the right question.

Actually, a number of scholars implicitly took this analytical approach in a small volume edited by Brzezinski in 1969.[34] The group split on the issue of whether the system would evolve or degenerate and collapse. Robert Conquest, Isaac Don Levine, Giorgio Galli, and Eugene Lyons discounted the possibility of successful evolution in favor of a number of scenarios leading to a system collapse. Boris Meissner, Joseph Clark, and Arrigo Levi offered scenarios for evolution. In his introductory essay, Brzezinski left the way open for a system "transformation"; in responding to his critics at the end, however, he tilted toward system "degeneration" as he considered the special character of the economy and the national minority problem. The central problem addressed in all these analyses is what changes in the totalitarian system would mean for its dynamic behavior. From today's vantage point, a number of them look quite sound in their identification of the important determinants of change precisely because they began with the totalitarian model. They

[33] For firsthand reports on this kind of behavior, see Konstantin Simis, *USSR: The Corrupt Society* (New York: Simon and Schuster, 1982). See also Jeffry Klugman, *The New Soviet Elite* (New York: Praeger, 1989). His analysis of interview data shows how ambitious Soviet citizens, before 1985, saw the nature of opportunity and the requirements for getting ahead. They understood the role of the Party, the ideology, and the state monopoly of the economy, and they quickly learned how to make connections, to join cliques, and to climb various bureaucratic ladders. They were not particularly fearful of being purged, but they greatly feared being cast into poverty by exclusion from political circles.

[34] Z. K. Brzezinski, ed., *Dilemmas of Change in Soviet Politics* (New York: Columbia University Press, 1969).

used it both as a reference point for judging change and as a context for explaining the system's dynamic behavior.

A second question should have occurred to us as well, since the absence of the blood purge and terror on a mass scale is likely to allow a diffusion of bureaucratic power to republican and local levels. What "middle-range" theories of organizational and bureaucratic behavior might be used to supplement the totalitarian model, to provide a finer grained understanding of the diffusion process?[35] Actually, Alfred Meyer's "USSR, Incorporated" implicitly invited this line of research, but it was little followed. The same is true of Rigby's "organizational society."

A number of such limited theories were easily applicable to the analysis of much of Soviet political behavior. "Goal displacement," for example, devised by Robert K. Merton, emphasizes that subordinate organizational units slowly give their own goals priority over the larger organization's goals, and subunit goals are accomplished at the expense of larger organizational goals.[36] That has occurred extensively in the Soviet Union. In fact, much of the empirical work that Skilling cites as usefully applying group theory would be better cast in the theory of "goal displacement."

Michel Crozier's theory of bureaucratic behavior as a "vicious circle" has rich applicability to Soviet political life. Because every member of a bureaucracy holds some power (that is, some discretion over outcomes in production or services) and uses it for personal aims, the aggregate organizational behavior is not "rational" in a goal-seeking sense. Rather, the institution's rationality is destroyed by all the individual voluntarism by bureaucrats and employees.[37] Crozier also offers a peculiarly Russian variant of this theory based on Russian cultural patterns. Subordinates, he says, are forced to deceive superiors about results when goals cannot be met with the available resources. Superiors respond by raising the goals even higher. Is this not reminiscent of the politics of party and economic management at local levels in the Soviet Union?

A third analytic concept with considerable potential for the study of Soviet politics emphasizes resources. James Q. Wilson has made the case that to understand the behavior of a political institution, one must know

[35] By "middle-range" theories, I mean what Robert K. Merton defined as "*theories of the middle range*: theories that lie between the minor but necessary working hypotheses that evolve in abundance during day-to-day research and all-inclusive systematic efforts to develop a unified theory that will explain all the observed uniformities of social behavior, social organization, and social change." See Merton, *Social Theory and Social Structure* (New York: Free Press, 1968), 39.

[36] Ibid., 253–55.

[37] Crozier, *The Bureaucratic Phenomenon* (Chicago: University of Chicago Press, 1964).

how it gets its resources.[38] The social democratic parties in Europe have traditionally assessed membership dues. The Democratic Party in the United States (until recent decades) depended on small voluntary contributions from as much of the voting population as possible. Not surprisingly, power is more bureaucratically centralized in European social democratic parties and much less so in the American Democratic Party. The American donors can more easily withhold contributions; power is consequently far more diffused.

The relevance of this proposition to Soviet politics is fundamental. The power of political groups is, not surprisingly, very much a function of the wealth they can amass; as long as most organizations depend on the state plan and budget for resources, power will remain highly centralized. Citizens have little influence on the institution's resource base except as co-opted labor and services. Had the proponents of group theory as applied to Soviet politics been mindful of Wilson's middle-range theory about resources and institutional behavior, they would long ago have abandoned that approach. Most groups in Western liberal democracies have their own private sources of income and do not have to depend on the state budget as their only resource. But in the Soviet Union how would a group have acquired wealth that could be used to oppose or change party policies? It would have had to have been done surreptitiously, which would have tended to limit the size of the group, usually to face-to-face size, a clique, or an informal gang. Group theory is hardly the best hypothesis for analyzing such small groups.

What would have had to occur in the Soviet Union to bring an end to such constraints on the formation of political groups? First, state ownership of property would have had to yield fairly large ground to private ownership. Second, control of the media would have had to decline so that groups could communicate publicly with their members and political leaders. Third, group access to the policy process would have had to have been greater than was traditionally the case. In other words, several of the remaining features of the old system would have had to diminish greatly, to allow a large shift in resource control.

The economic theory of rents has been used to explain some of the corruption that became so rampant during Brezhnev's rule, especially in Central Asia and the Caucasus.[39] Its applicability seems especially appropriate in some of the republics in these regions as long as they held on to

[38] Wilson, *Political Organizations* (New York: Basic Books, 1973).

[39] See Arye L. Hillman and Adi Schnytzer, "Illegal Economic Activities and Purges in a Soviet-Type Economy: A Rent-Seeking Perspective," *International Review of Law and Economics* 6 (1986).

le old economic and residual state structures for controlling resources. ontrol and sale of positions for periodic payments of tribute and serces were made possible by the command economy and party control /er it. Moreover, rent theory has the virtue of sharing Wilson's focus on le acquisition of resources. Additionally, it tends to make us see not lodern interest groups evolving in old regional party organizations but throwback to the Russian medieval principle of *Kormlenie*, that is, letng a centrally appointed official rule a province for a time to enrich mself through tax and rent collections and any other abuse of local ›wer he could devise.

The main point in this line of questioning should now be clear. In:ed, the old totalitarian model could have been richly supplemented by ımerous "theories of the middle range." Most of them tend to deal :ad-on with a lot of the criticisms of the totalitarian model. They show ›w power was diffused. They help anticipate how individuals at varits levels of the state and party bureaucracy were most likely to exercise eir limited discretionary power. They explain a lot of the deviant behvior that blossomed during the era of "stagnation." Rather than anıuncing that the totalitarian model had not explained such micro·havior and declaring it invalid, as group theorists, proponents of riations of pluralism, and social historians have done, we could have ·ld much of the macro model's perspective and at the same time exained more fully much of the microbehavior either as consistent with or slowly eroding its applicability.

Measuring Change under Gorbachev

; we mentioned above, assessing change requires reference points. hat existed before? What is the nature of the difference, qualitative or ıantitative? Proponents of pluralist change have referred to the totali·ian model in a special way as their reference point, either declaring ıt it was never useful for analyzing Soviet politics or limiting its utility the Stalin period only and denying it any continuing validity afterırd.

A more compelling approach, however, would be to take the six char:eristics and ask how each changed or eroded, a process that should :ld an empirically based assessment of both the degree and the kinds change. If change had become systemic, obviously a new set of refercces would be needed, but until that happened, the totalitarian model ained utility as a yardstick for the study of Soviet politics. Let us,

therefore, take a rough measurement of how things stood in the first half of 1991, before the August coup.

Ideology

By the late 1960s it was popular among scholars to return from a visit to the Soviet Union and report that their Soviet interlocutors were denying their old ideological convictions. Marxism was dying in the Soviet Union, these Soviet citizens declared. The only true Marxists were in the West!

Notwithstanding these professions of a loss of faith, the Soviet official press sounded all the more orthodox. The persistence of the ideological precepts for analyzing foreign affairs and military issues was especially obvious. While some samizdat pieces in the 1970s began to reflect envy of Western market economics, the debates in the official economic journals showed little such inclination despite their criticism of many aspects of Soviet central planning. In military affairs ideological orthodoxy was the enthusiastic rule. The ideology defined the "threat" against which the Soviet armed forces were built and sized. And the concept of the international class struggle, a central element of the "peaceful coexistence" formula, viewed most of the world as hostile. The ideology also served to make the nationality problem look manageable, even yielding to a solution in *sblizhenie* (rapprochement) and *sliyanie* (merging) of the Soviet peoples. It justified Moscow's rule over non-Russian peoples. "Internationalism" was perhaps more important for Soviet domestic politics than for policy toward foreign communist parties because the Soviet Union was a community of nations denied independence based on an ideological justification.

No doubt, a growing cynicism about the ideology had advanced quite far by 1985. As Vladimir Shlapentokh has pointed out, however, Soviet citizens had learned to manage two levels of consciousness—one private and realistic, one public and ideological—without excessive cognitive dissonance.[40] The official ideology was steadily losing ground in the private citizen's life, but the leadership found it necessary to sustain the basic ideological tenets in order to legitimize formally the regime's power.

Overall, the glasnost period has shown us not that the ideology was dead but rather the ways in which it had become internalized and how important it remained for the system. The reformers' attack on the ide-

[40] Shlapentokh, *Public and Private Life of the Soviet People* (New York: Oxford University Press, 1989), 18–23.

logy dealt it a death blow, but one has to be struck by its persistence up hrough the August coup attempt.

Gorbachev, of course, introduced radical revisions in the ideology. None was more shattering for the old belief structure than the invention of "humankind interests," giving them the highest priority, and relegating "class struggle" to trivial significance in the present epoch. Had the deology been dead, as many scholars assumed, this revision would have occasioned little reaction, little objection. In fact, the leadership in the nilitary was stunned. Senior officers struggled to interpret the revisions so that class struggle was maintained.[41] Gorbachev's former Politburo colleague, Yegor Ligachev, observed publicly that the notion of "humankind interests" was confusing communists at home and abroad.[42] Glasnost had admittedly seriously undermined much of the remaining foundation of the ideology by the summer of 1991, but voices were still heard n the struggle to return to something like ideological orthodoxy. The Main Political Administration in the Armed Forces, having escaped dissolution by the Twenty-eighth Party Congress in June 1990, was especially vigorous in trying to restore mainline orthodoxy.

The Party

Until its formal dissolution after the coup's failure, the Party remained he key institution of rule. At the local level party committees controlled housing, food, resources, economic firms, and collective farms. Open truggle against that control had made progress, of course, especially in ome of the non-Russian republics, and Yeltsin's banning of party cells n Russia probably helped inspire the coup attempt in August.

Gorbachev began his tenure as general secretary with what appeared o be a campaign to revitalize the Party, to shake it from "stagnation," nd to make it carry through perestroika—a vaguely defined process and oal. In some ways his actions were highly traditional. He carried out he largest turnover of cadres in the party, state, and military since Stalin's purges of the 1930s.[43] In 1989 he began to neutralize, even dismantle,

[41] See, e.g., Major General N. Tabunov, "Dialektik klassogo i obshchechelovetskogo," *ommunist vooruzhennikh sil* 8 (1989). Tabunov struggled to discover a "dialectic" between ass and humankind interests that salvages the international class struggle.

[42] *Pravda*, August 6, 1988.

[43] See Dawn Mann, "First Secretaries of Krai and Oblast Party Committees," *RL Report the USSR* 1, no. 41 (October 13, 1989). For the turnover in the senior military ranks, see inda Brewer, "The Soviet Military Elite under Gorbachev" (Unpublished paper, the Air orce Intelligence Agency, August 22, 1989). Virtually the entire high command of the milary down to the army and division levels was changed in a couple of years. Of a total of 155 rai and oblast party secretaries, Mann finds all but 23 changed. The change in central committee membership in Gorbachev's first years was greater than at any other time since 1961.

much of the Central Committee secretariat apparatus, and essentially h took policy-making away from the Politburo. At the Twenty-eight Party Congress in 1990 calls were made for a rebuilding of the centr apparatus, and in the months that followed, party conservatives hel ground but regained very little.

Hough has been on the mark in assessing Gorbachev's mastery of th party center. Superficially, Gorbachev matched Stalin in manipulatin his opposition, purging it, and anticipating its regrouping; a closer lool however, reveals a critical difference. Stalin's purges led to executior and fanatic professions of ideology, orthodoxy, and commitment. Gor bachev's purges led to mere reassignment of cadres and ideological cor fusion. Stalin purged the Party to strengthen its responsiveness and ac herence to the ideology. Gorbachev's purges made it less responsive b failing to provide clear ideological direction and purpose. One ominou result was that some party leaders in the republics went over to the national secessionist movements.

Thus, the Party had been weakened, but no new institutions had emerged to assume its "prefecture" role in integrating all government functions at the regional level. The exception, of course, was in those republics where national movements began to rival the Party for political authority—in Lithuania and Georgia, for example—but they still lacked the administrative apparatus to replace it. Where they tried to use the local state structures, the Party and the police fought them with mixed success.

At the center, the plethora of new parties in the Supreme Soviet failed to yield an effective multiparty system because none of them had the resources or the organization, particularly in the republics and oblasts, to challenge effectively the Communist Party's dominance.[44] To use Huntington's terms, six years of perestroika, it seems, produced fairly rapid "political decay" in the party but failed to achieve effective "political development" of new political institutions. At the republican level, the picture was different in some places because a modicum of "political development" had been achieved.[45]

[44] Vera Tolz offers the first effort to analyze the proliferation of new parties. She concludes that "it is more likely that outbreaks of popular discontent will occur than that there will be gradual transformation of the country into a democratic, multiparty state"; see Tolz, *The USSR's Emerging Multiparty System* (New York: Praeger, 1990), 93.

[45] Boris Kagarlitsky offers an eyewitness account of efforts to organize political movements on an all-Union basis, the obstacles they faced, and the contrasting organizational strength of those in some republics. See Kagarlitsky, *Farewell Perestroika: A Soviet Chronicle* (New York: Verso, 1990).

TERROR

Subtle forms of psychological and even physical intimidation persisted up until the demise of the Soviet Union; in allowing many Soviet citizens o speak openly about terror, glasnost obviated much of the argument hat it was a thing of the past. Nonetheless, by the standards of the totaltarian model, this feature of the system was the most eroded. While lissident intellectuals, religious minorities, and a few other groups sufered from severe repression under Khrushchev and Brezhnev, party nembers did not. And the result, as noted earlier, was a slow diffusion of bureaucratic power at the expense of the Politburo and the Secretariat.

MONOPOLY OF THE MEDIA

This feature of the system remained in good repair right up to the period of glasnost. The degree of self-censorship and party discipline among the nedia elites was conspicuous on a couple of occasions during Gorbahev's first four years. The media reaction to the attempted crackdown n Lithuania in January 1991, however, showed that the liberal media eaders had lost their fear and were prepared to resist reassertion of the arty's monopoly.

At the same time the old censorship bureaucracy remained in place. It ontinued to apply guidelines governing military secrecy but with only ntermittent and inconsistent political guidance.[46] A multifaceted camaign to regain at least some control over the media was conducted hroughout most of 1990 and into early 1991. This involved interference n a number of areas: personnel appointments, delivery of supplies of aper, television programming, and mail delivery of periodicals. Some f these developments may not have been intentional but were merely he result of growing disorder throughout the country. In the final event he campaign failed, and Yeltsin's Russian government played a key role n helping editors and television producers evade encroachments by registering them officially when the central government would not.[47]

In a critical sense perestroika marked the rapid destruction of the Par-'s monopoly of the media—without which the remaining features of

[46] See *Izvestiia*, October 9, 1990, for a report on GLAVLIT (the censorship bureau) and its list topics to be censored.

[47] Throughout his personal chronicle of political developments, Kagarlitsky (fn. 45) offers amples of officially guided media attention and deliberate neglect of various political oups to shape both domestic and foreign perceptions. For considerable detail on the politics media controls, see an unpublished paper by Bradley Peniston, "Gorbachev, *Glasnost*, and AVLIT: The Persistence of Controls in the Soviet Media" (New Haven: SEES, Yale Univery, April 15, 1991).

totalitarianism were rendered vulnerable to attack and eventual dismemberment. The reasonably free media stimulated public outrage against the military and the KGB, the Party, and the economic apparatus.

Monopoly of the Economy

Of the six characteristics of the totalitarian model, monopoly of the economy seems to be the most critical for systemic change. As long as the state effectively owns and controls most property, the means for what Robert Dahl calls "political contestation" remain limited.[48] For this reason the emergence of several new parties in the Supreme Soviet was a misleading index of the degree of pluralism in the system before the August coup. These parties had extremely limited resources, and even a large membership could not supply the funds necessary to sustain a countrywide organization. It takes more than free elections to win power in a democratic system. It also requires capital and the freedom to spend it for property, for television and newspaper coverage, and for salaries for party officials.

The meager progress toward legalization of private property, market pricing, and a legal system able to handle the civil litigation necessary in a market economy indicates how persistent this feature of the Soviet system had been. Its durability was not just a result of strong party control. Rather, it reflected a most understandable reluctance to accept the social consequences of a transition to a market system. Massive unemployment and the lack of management know-how make such a change frightening for most people, especially for those with reasonably good positions in the old system.

Although the military-industrial sector was the most intransigent part of the old planned economy, Western scholarship has been surprisingly neglectful of its central role. Not only was its size grossly underestimated,[49] but the military rationale that underlay the central planning system from its inception was basically overlooked. Some of the liberal reformers rightly insisted that no serious economic reform was possible without the destruction of the Military Industrial Commission and its vast network of ministries and firms.[50]

With Gorbachev's reluctance to implement the Shatalin plan to introduce market reforms in the fall of 1990, all serious efforts at systemic

[48] For elaboration of "contestation," see Dahl, *Polyarchy: Participation and Opposition* (New Haven: Yale University Press, 1971).

[49] For essays that demonstrate how serious this error has been, see Henry Rowen and Charles Wolf, Jr., eds., *The Impoverished Empire* (San Francisco: ICS Press, 1990).

[50] This case is vigorously advanced by A. Kireyev, "Konversiia v sovetskom izmerenii," *Mezhdunarodnaya zhizn'* 4 (1990).

onomic reform came to a standstill. Nonetheless, change did occur. ooperatives captured about 1 percent of the national income in 1988,[51] ıt far more important has been the drift of control from the central anning apparatus to republican authorities and factory managers. The)87 economic law on the firm gave managers discretion over part of ıeir production capacity, and some used it and sought out nongovern-ıent markets. The impact on the central planning system has been del-erious. Another step toward destruction of the system occurred when orbachev appointed a commission to try to define "economic sover-gnty" for the republics as a gambit to deflect their demand for "political ıvereignty." The republics seized the opportunity to wrest more control /er economic affairs from Moscow.[52] Yeltsin's success in getting control most of the coal mines in the RSFSR transferred from the Union to ıe republic further advanced this trend. Meanwhile, in the first part of)91 only 60 percent of the centrally directed contracts among state firms ıd been fulfilled, an ominous sign of deterioration in the command onomic system.[53]

At the time of the August coup attempt, much of the old economic structure was still extant, effectively blocking efforts at directed reform. Ownership of property was still an open issue. Central planning was still in practice, but both the willingness and the capacity of firms to follow it had significantly declined. In the ensuing chaos, cooperatives made very modest progress, and many firms tried to adjust to economic realities while dealing with formal economic direction. Here, as in most other aspects of perestroika, institutional decay was progressing rapidly, but institutional development was hardly adequate to fill vacated roles in the economy.

If anything distinguished the Soviet dictatorship qualitatively from other forms of authoritarianism, it was the command economy. To argue that the Soviet system after Stalin evolved to a more traditional form of authoritarianism—to put it in the same category as Franco's Spain, Salazar's Portugal, or Chiang Kai-Shek's Taiwan—is to ignore one of its key features. Most of the alternatives to the totalitarian model simply failed to take account of the command economy and what it implied

[51] John Tedstrom reports this figure for 1988 and also a continuing increase in 1989. It was probably larger in 1990 and 1991. See Tedstrom, "The Soviet Cooperative Movement: An Update," *Report on the USSR* 1, no. 41 (1989), 3–5.

[52] Joseph C. Brandt, "Economic Reform and Soviet Nationality," *Telos*, no. 84 (Summer 1990).

[53] For this point specifically and for an insightful analysis of the forces of change in the Soviet economy, see Anders Aslund, "Prospects for Economic Reform in the USSR" (Paper presented at the World Bank Annual Conference on Development Economics, 1991).

about system change—again, Meyer's "USSR, Incorporated" is an exception. Only the totalitarian model emphasized it adequately along with i[t]s ideological basis and the concomitant commitment to an internationa[l] class struggle that justified military priority within the command economy. These characteristics of the system distinguished it qualitatively from other systems, and they did not disappear with de-Stalinization. Brezhnev actually reinforced them.

POLITICAL CONTROL OF THE MILITARY AND THE POLICE

Party controls in the military and the police were not challenged early in the perestroika years, but their traditional discipline began to erode. By 1989, however, the Main Political Administration in the armed forces was under public attack, and during the Twenty-eighth Party Congress, it came close to being abolished. Instead, the military political organs accepted a decree to be reformed, changed to purely "state" institutions from party institutions. In the event, however, the reform proved largely cosmetic, and during the year after the congress, they were struggling for a political revitalization.[54]

Notwithstanding the persistence of the party control system, the Soviet military experienced a dramatic erosion in morale and discipline, one that accelerated in late 1988 and became a matter of wide public debate in 1989 and 1990.[55] Popular disaffection with the military, especially over brutal hazing of first-year soldiers and the lack of housing and schools for officers and their families returning from Eastern Europe, created unprecedented morale problems. These problems took on a national minority cast when the republics in the Baltics and the Caucasus permitted open resistance to military conscription. In light of the increasing unreliability of military units, Gorbachev and his ministers of internal affairs took measures to create new police organizations for controlling public demonstrations, but they proved too little and too late. By the time of the coup the poor morale in the lower ranks and the confusion in the higher ranks left both the police and the military incapable of restoring the party dictatorship.

An important point about party-military relations in the old system is worth underscoring. Some analysts have insisted that the military, if denied the lion's share of the economy's output, would pose a serious control problem for the Party.[56] Yet Gorbachev was able to impose signifi-

[54] See *RFE/RL Daily Report* 170 (September 9, 1990); 183 (September 25, 1990); and 188 (October 2, 1990).

[55] See Odom, "The Soviet Military in Transition," *Problems of Communism* (May–June 1990).

[56] See Herspring and Volgyes (fn. 13), especially the chapters by Kolkowicz and Colton.

military reductions on the Ministry of Defense. To the degree the military, that is, the senior officers, became politically more active during perestroika, it was as Communist Party members, defending the old system, not opposing it. A few senior officers stand out as exceptions. Colonel Generals Volkogonov and Kobets, for example, joined Yeltsin in supporting Russia vis-à-vis the Soviet Union. The military coup anticipated by many observers was never a threat because the congruence between party and military values in the Soviet system was so great. Again, right up to the crisis in August 1991 the apex of the old military and police feature of the totalitarian system remained stable. It did not evolve in the post-Stalin decades. It simply rotted from the bottom up.

What does this review tell us about overall change in the Soviet system? First, it shows a serious degree of erosion, leading toward a general political collapse. Second, it helps explain why evolution toward a pluralist system did not occur and create institutions to replace the old structures. The command economy and the residual strength of the party structure made it impossible for power to diffuse to opposition parties on a significant scale. The diffusion of power was largely to the republics, to various informal institutions in the "second economy," and to the media. To the extent they had a political goal, it was the destruction of the old system. Yet only the republics were in a position to replace it. Finally, this review reveals the remarkable persistence of many of the key aspects of the totalitarian institutions.

Systemic versus Non-systemic Change

As of spring 1992 the Soviet Union has been formally abolished as a political entity, and the republics have become independent states. All but the Baltic republics have retained association within the Commonwealth of Independent States, which has its offices in Minsk. To all appearances, it will be merely a transitory institution. While the CIS still has the old Soviet armed forces under its formal authority, the reality appears to be the slow but sure breakup of the Soviet military into republican armed forces. Because the commonwealth has no way to extract taxes from the republics that they do not wish to pay, it has no assured public sector budget to spend. Thus, it can hardly govern. Small civil wars in some of the republics wax and wane, and larger ones are not to be excluded, but for the present—1992—a psychological exhaustion seems to characterize the populace in the Slavic republics, making major military action unlikely. That could change, however, and Russia could eventually revive its old imperial instinct, although it seems improbable.

Let us set aside interrepublican relations and keep our focus on domestic politics. It is futile to try to anticipate precisely what road political change will follow within the new states, but it is possible to identify some structural realities that will constrain the choice of routes. Systemic change seems inexorable, but history can play tricks on us. Let us, therefore, explore what systemic change entails.

The matrix in Figure 1 puts the problem in graphic form. The horizontal rows indicate two dimensions of change, political and economic, and the vertical columns indicate two kinds of change, system revitalization and systemic change. Traditionally the old Soviet system managed political revitalization by circulation and renewal of elites through purges. While they always met with mixed success, they did keep the diffusion of power from threatening stability.

Economic revitalization has been entangled with political revitalization. Reorganization through restructuring of central planning tasks and implementation tasks has traditionally been heralded as necessary for improving economic performance. In fact, it has also involved the circulation of elites and factional struggles at the party center. Khrushchev's economic reorganization in 1957 is a conspicuous example. In reality, economic reforms yielded little or no economic improvement. Rather, the pattern has been alternations between the territorial and the production principles of control mixed with schemes for changing firm managers' incentive structures.

The matrix cells in the second column show the kind of political and

	System Revitalization	Systemic Change
Political	circulation of elites through purge	expansion of political participation by competitive elections and policy influence access
Economic	reorganization, with retention of central control over ownership, prices, and production	decentralization of authority over economic resources, private property, and the creation of a competitive market for price formation

FIGURE 1
POSSIBILITIES FOR CHANGE

change that must occur for a shift to liberal democracy. The franchise would have to be widened, allowing for a much r base of political participation. Genuine economic decentraliza- must include a considerable degree of private ownership of the ns of production and a competitive market that yields "scarcity ces" *as information for investment decisions, production, and sales.*

Suppose there is only political change or only economic change. What ould that imply for the changed nature of the system? Would it mean at change is systemic? In the sense of destroying the old totalitarian ystem, the answer has to be yes. But it also means that the outcome ould be either *an authoritarian system coupled with a market economy* or a democratic political system coupled with a planned economy. We have many examples of authoritarian systems with market economies, and given the experiences of South Korea, Taiwan, Chile, and others, that would be an attractive outcome in some regards, especially because the resulting system would have prospects for further development toward democracy. Moreover, several Soviet observers advocated precisely this approach for perestroika, citing such examples.[57] As Charles Lindblom has pointed out, we have no examples of liberal democracies without market economies.[58] It would be an unprecedented outcome, not one we should expect.

Neither of these outcomes was possible for Gorbachev to achieve, and the reason is found in the Soviet nationality problem. A democratic system with a planned economy has inherent problems of its own, but in the Soviet Union the expanded political franchise opened the door to tional secession movements. Given the chance to vote, non-Russians ided to vote to secede. The secessionist idea caught hold even in Rus- , especially in Yeltsin's circle, where a willingness to let the republics their own way distinguished Yeltsin's policies from those of all other nic Russian political leaders, particularly Gorbachev. Whether this licy will persist is an open question, very critical for future develop- ents.

The alternative, moving to a market economy under a strong author- rian Soviet leadership, was equally unviable. The increase in control er their economies strengthened the republics in their struggle for po- ical independence. As property shifted to private ownership, the cen- l government's capacity to extract and reallocate resources to ensure ntral control would decline. The diffusion of economic power would

[57] See Vladimir Sokolov, "Reflections on the Variants of Our Immediate Future: To a rket Economy under the Cover of the Army?" *Literaturnaya gazeta* 12 (September 1990).
[58] Lindblom, *Politics and Markets* (New York: Basic Books, 1977).

surely carry with it a diffusion of political power, giving the repu the means to secede.

We simply have no examples of liberal empires. Some might poin the British Empire as the exception, but it was British liberalism can to the colonies that produced separatist leaders like Washington, Jef son, Gandhi, and others. Similarly, perestroika as a program of polit liberalization implied the breakup of the Soviet Union. For Gorbach to "succeed" in the sense of keeping the Union together under a nona thoritarian government and with a market economy was an oxymoron expectation.

Priority and Sequence for Change

It is one thing to look at the matrix in Figure 1 and think through the structure of the problem of systemic change. It is another to develop a strategy of sequence for achieving change. The matrix gives some hints about what will not work, but it says little about how to move to what will work.

In retrospect, it seems doubtful that Gorbachev had a clear strategy for reform. He moved first on the economic front and was stymied. Next he turned to political reform. In that struggle he widened the political franchise first in the Party, then in the Soviet legislative structure to unseat party officials he could not purge. This left him with less and less power to execute new policies—thus the war of decrees between the president of the Soviet Union and the republics.

The core of the totalitarian system—the command economy—simply proved beyond his capacity to change. Yet he had dealt it a death blow, although apparently inadvertently. He allowed a political context to arise in which the national republics took more and more power and in which adequate administrative discipline to operate the command economy ebbed away. In a real sense, then, Gorbachev was a revolutionary, not a reformer: he went far in destroying the old system but had virtually no success in building a new one. Given the nature of the old system, this was the only alternative to restoring it.

There has been much debate about priority and sequence in Gorbachev's programs. The "might have beens" are useful to contemplate, but given the nature of the totalitarian state, even in a highly eroded condition, and given the multinational character of the specific Soviet case, evolution through clever sequences was just not in the cards. For a national totalitarian state, say, Poland, one might make another case, but even in those instances there seems to be a boundary beyond which evo-

not take it. If there is a lesson about sequence, it is that the must precede the economic. That occurred in Poland, and it is g in the territory of the old Soviet Union. Gorbachev faced se-nomic problems that could not be dealt with until the political as resolved. Under whose laws was private property to be regis-or instance—the Soviet Union's or the republics'?

Concepts for the Study of Post-Soviet Politics

s the collapse of the Soviet system mean that we can usefully discard old totalitarian model? Yes, but not immediately. Some of the suc-r republics may try to keep the old institutions for a time. And in parts of the country, internalized beliefs from the ideology, espe-ally about socialism, private property, and profit making, will play a ignificant role. Police methods will not change overnight, nor will eeply ingrained concepts about the role of law. Perhaps most important, ow quickly will the old command economy be dismembered? As long parts of it exist, we shall be dealing with vestiges of totalitarian insti-itions. The greatest utility of the model in this regard is not in its de-ription of the successor systems. It is rather in understanding what they e overcoming, what they carry as legacies. The legacies of Stalin's rule ill not disappear at once, and without a grasp of them, analyzing future olitical behavior will be difficult for Western scholars.

This issue of what new or different concepts should be taken to the udy of the successor systems—and the plural is used here on the pre-umption that at least some of the republics, if not all, will not come back nder Moscow's rule soon, thus leaving several political systems on the ormer territory of the Soviet Union—is abruptly upon us. The field of oviet politics has long aspired to use concepts from the mainstream of olitical science, and at last a valid opportunity has arrived. Aspiring too arly was probably a mistake, as the various successor models to totali-arianism demonstrate. Aspiring quite late is not an incapacitating hand-ap if we pick one or two of the wandering tribes of political science nd go back to traditional questions.

The "political development" tribe strikes me as the proper choice, al-hough it has become passé in some circles, and the appropriate questions re the traditional ones: how democracies and dictatorships come to be, hat institutions make them stable, and how they change. The collapse f the Soviet system presents us with a set of new states that are facing any of the questions that political development theorists have been try-ng to answer about other countries since the 1950s. Actually, a political

development approach to Soviet politics is not new. The totalitarian model itself is a political development model, and the Marxist-Leninist variant is treated in some of the political development literature, specifically, by Samuel Huntington in his effort to explain political stability.[59] T. H. Rigby turned to a modernization and political development viewpoint three decades ago when it was still quite new, and the resulting analysis stands up to critical review even today.[60] Both Huntington and Rigby focused on political stability and political change. Huntington, to be sure, was also concerned with democracy, but political order was his central focus. Today all three issues are on the agenda—political change, political order, and the creation of democratic systems. The collapse of the old totalitarian institutions has at last created some degree of "liberal promise" in the politics of the successor states to the Soviet Union, but the obstacles remain enormous.

To make the case more specifically, if we are to judge accurately the chances for liberal democracy in any of the successor states—assuming civil war does not interrupt the process—we need to have a better idea of how democracies emerge. The political development literature offers several patterns for such a transformation. Dankwart Rustow, for example, describes the long linear sequence observed in northern Europe.[61] State boundaries were reasonably well established early in the sequence but not without a lot of warfare. For many decades thereafter competitors for rulership fought bitterly, engaging in civil wars, coups, and other forms of violence. After a long time, exhausted and tired of this way of resolving the competition, they agreed among themselves on rules for choosing a leader. Yet the rules were not internalized at once. Two or more decades were required for the rules to gain the full status of law, of a constitutional basis.

This sequence suggests for the successor states to the Soviet Union that defining boundaries on national lines will have to precede democracy. Multinational democracies are difficult to build. Switzerland, Belgium, and Canada come to mind, and the latter two are still struggling with ethnic divisions. Rustow's analysis suggests that liberal democracy in the old Soviet Union was never a serious option. Rather, the breakup into

[59] Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968) is perhaps the best example. More recently, Philip G. Roeder has criticized Huntington's approach but has remained in the political development paradigm of analysis. See Roeder, "Modernization and Participation in the Leninist Development Model," *American Political Science Review* 83 (September 1989).

[60] Rigby (fn. 1).

[61] Rustow, "Transitions to Democracy: Toward a Dynamic Model," *Comparative Politics* 2 (1970).

national states has been a precondition for democracy, although it by no means assures it. It merely removes a serious obstacle to it.

The long linear sequence, to be sure, is not the only road to democracy. Huntington identifies two others—the "dialectical" path marked by an "urban breakthrough" based on a strong middle class with a market economy, and the "cyclical" pattern of a shift to democracy followed sometime later by a relapse to dictatorship, a cycle often repeated within one state.[62] Robert Dahl points out a "free farmer" path, as observed in the United States, New Zealand, and Norway, in which democracy preceded urbanization and industrialization.[63] It should be noted, however, that these paths to democracy apply principally to states where issues of self-determination and of borders have for the most part been settled.

The relationship between democracy and economics has also been a subject of considerable investigation. Over three decades ago Seymour Martin Lipset noticed the positive correlation between democracy and economic growth.[64] Lindblom points out that all liberal democracies have private property and large market sectors in their economies.[65] John Freeman has examined the connections between democratic government and predominantly market economies and mixed economies.[66] The Marxists, of course, had a clear theory about the relationship between private property and liberal democracy, and both Lenin and Stalin understood that peasant ownership of land posed a threat to the Soviet dictatorship. Much of the political development literature would suggest that reversing the situation—introducing private property—is essential for liberal constitutional development to succeed in the new political systems.[67]

To be sure, conditions in the territories of the old Soviet Union differ significantly from conditions in the states that provide the basis for much of the political development theory. Equally important, conditions vary widely among the republics, with the contrasts being most sharply drawn

[62] Huntington, "Will More Countries Become Democratic?" *Political Science Quarterly* 99 (Summer 1984).

[63] Dahl (fn. 48).

[64] Lipset, *Political Man* (Garden City, N.Y.: Doubleday, 1960), 27–63.

[65] Lindblom (fn. 58), 162–69.

[66] Freeman, *Democracy and Markets* (Ithaca, N.Y.: Cornell University Press, 1989).

[67] For reasons of space, I do not spell out an important distinction between "liberal" and "democracy." Sartori (fn. 14) states it succinctly: "We cannot speak of political freedom without referring to liberalism—liberalism, I insist, not democracy" (p. 309). The diffusion of power through private property has been most important for liberalism, that is, the defense of individual rights. It by no means ensures it, but liberalism has preceded the broadening of the democratic political franchise in most Western liberal democracies, and the concern with rights has underpinned constitutionalism far more predominantly than concern for the right of democratic majorities to decide "who gets what, when, and how."

between the republics of Central Asia and those of the Baltic. At the same time, they all share the unique problem of making a transition from the old command economy to new economic patterns, a problem development theorists have never examined. Applying concepts from political development theory to these new cases will therefore require great care in selection and adaptation to ensure their conceptual appropriateness and to avoid serious category mistakes.

For example, Jerry Hough,[68] Moshe Lewin,[69] and others accurately noted the enormous change in social structure in the Soviet Union, and they have argued that it portended liberal political development. The higher levels of literacy, the much larger urban population, and the patterns of industrial life were strong evidence in this regard, but have they created a "middle class" of the kind Hough insists? Similar change in social structure in Japan and Germany several decades earlier did not produce liberal results. Middle-class government and party bureaucrats do not always share the political values of middle class private business owners. The problem here is classification both in the proper categories and in causation—what actually causes a liberal political development.

A great deal more than mere social change is involved in political change. Rates of social mobilization, institutions, and leadership are equally, perhaps more important, factors. As we address them, we are likely to be concerned first of all with institutions, particularly state institutions. Indeed, it has become fashionable of late to rediscover the state,[70] but some political development theorists never let it slip from their view, and thus their work will be of key importance for following politics in the new states of the old Soviet Union. Huntington's work of over two decades ago marked a major shift in the field by focusing on institutions, their decay and their development, the "degree" of government as a determinant of political stability, and the role of leaders as both revolutionaries and reformers in determining the course of political change.[71] Again, his work points to some promising directions for the Soviet field, not least because he tried to embrace the Soviet case in his larger developmental scheme. Many of his illustrious peers and also

[68] Hough (fn. 25).

[69] Lewin, *The Gorbachev Phenomenon* (Berkeley, Calif.: University of California Press, 1989).

[70] See, e.g., Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (New York: Oxford University Press, 1985).

[71] Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968). Huntington has his critics concerning the applicability of some of his concepts to the Soviet political system. Roeder (fn. 59) challenges Huntington by distinguishing between institutionalized "participation" (which Huntington's "civic" class of systems involves) and institutionalized "coproduction" (which Roeder sees as the Soviet reality).

younger scholars since the early 1970s have much to offer as well. Joel Migdal, for example, has advanced an explanation for why most Third World states are weak, and much of his analysis will probably be relevant to the successor regimes in the Soviet Union.[72]

The concept of "political culture" was suggested as useful for the study of Soviet politics nearly two decades ago, by Robert C. Tucker.[73] The argument is still valid, but today it must deal not with Soviet political culture but rather with the several political cultures of the various successor states. Lack of access for gathering survey data limited the application of this concept in the past, a constraint that scholars may no longer face today.

The possibilities are quite broad, and the suggestions made here are tentative, meant to demonstrate only that there is no dearth of concepts for new approaches to analysis. This is not, however, to advocate planting just any flower from political development theory and other subfields of political science. Some of those flowers are inherently more suitable than others, some are faulty, and some are more appropriate to the post-Soviet landscape than are others. Moreover, these new cases, with their unique circumstances, will surely require conceptual innovations. For example, the kind of deinstitutionalization required of Soviet-type systems in both the political and the economic spheres is unprecedented. No less novel is the mix of high levels of literacy and urbanization with low levels of income. In a word, the old Soviet region is still unique in certain respects.

Conclusion

Looking back on the field of Soviet studies, one has to be impressed with the scholarship of the 1950s and early 1960s. The totalitarian model, for all its faults, kept the focus on the central and unique features of the system. The more prolific scholarship of the following decades certainly yielded a great deal of empirical data about Soviet politics, but much of it lacked the solid conceptual basis of the earlier work. The efforts to find a successor paradigm introduced two serious problems. While they emphasized change in the system, they tended to be ambiguous about the reference points for measuring change. That ambiguity made it easier to mistake the direction of change as evolution toward a liberal sys-

[72] Migdal, *Strong Societies and Weak States: State-Society Relations and State Capacities in the Third World* (Princeton: Princeton University Press, 1988).

[73] Tucker, "Culture, Political Culture, and Communist Societies," *Political Science Quarterly* 88 (June 1973).

tem than to recognize that the old system had to collapse before such liberal development could become a serious possibility. Political decay of the old system was mistaken for political development toward a new system. Admittedly, a liberal development was not always explicitly asserted, and several scholars have never been optimistic about that prospect. But even they have frequently mistaken political decay for political development.

Having witnessed the collapse of the old system, we can now more easily see why a successor model never captured the field. There was no new system to model, and the old system did not stand on a continuous spectrum of possibilities ranging from authoritarian to liberal democratic. It stood apart, preventing the emergence of a new system while it decayed, unlike other types of dictatorship which may allow new and more effective institutions to emerge slowly to a point where the transition to a new and stable successor system is relatively easy.

In all events, the field is now free to return to much of the mainstream theory in political science. At the same time, the old legacies and the unique patterns of change in the successor states will give the field a few distinctive peculiarities.

FISCAL REFORM AND THE ECONOMIC FOUNDATIONS OF LOCAL STATE CORPORATISM IN CHINA

By JEAN C. OI*

WHILE clearly lagging behind the Eastern bloc countries and the former Soviet Union in political reform, China is arguably the most successful of the socialist states in implementing economic reform. Real GNP grew at an average annual rate of 10.4 percent from 1980 to 1988 compared with only 6.4 percent during 1965–80; total GNP grew more than twofold between 1978 and 1988. During 1978–88 per capita GNP doubled in real terms.[1] The most impressive strides were in the rural economy. Calculated on the basis of comparable prices, total agricultural output value increased by an average annual rate of 6.04 percent between 1978 and 1990. Output value of rural collective enterprises increased 26.7 percent for that same twelve-year period. Per capita net income among peasants increased from 133.57 to 629.79 yuan, with an average annual increase of 41.4 yuan, as compared with only a 3.2 yuan increase on average for the previous twenty-eight years.[2]

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[1] Kang Chen, Gary Jefferson, and Inderjit Singh, "Lessons from China's Economic Reform," *Journal of Comparative Economics* 16 (June 1992).

[2] Zhang Hongyu, "China's Land System Transformation and Adjustment of Agricultural Structure: Reviewing China's Rural Reform and Development since 1978," *Liaowang Overseas Edition* 47 (November 25, 1991), 16–17, translated in *FBIS-CHI-91-241*, December 16, 1991, pp. 52–54. The most impressive growth in agriculture was prior to 1985. For a useful economic overview of the impact of the reforms on agriculture, see Terry Sicular, "China's Agricultural Policy during the Reform Period," in Joint Economic Committee, Congress of the United States, *China's Economic Dilemmas in the 1990s: The Problems of Reforms, Modernization, and Interdependence* (Washington, D.C.: Government Printing Office, 1991), 1:340–64. After 1985 the most dynamic growth was in rural industry.

Far from standing in the way of change, local officials have spearheaded the reform drive. What explains their response to national reform initiatives? Bureaucratic change is a function of whether "net incentive effects upon key officials are positive or negative, and to what degree."[3] In China the necessary incentives were provided by fiscal reform. This article seeks to illuminate how this institutional change caused local officials in a socialist system to pursue rapid rural industrial growth.[4]

North and Weingast have pointed to the importance of secure property rights for economic development.[5] The discussion has been limited to a large extent to market economies, with a focus on individuals as entrepreneurs—those who own and operate the firms within a market economy. The importance of this principle underlies the felt need in formerly socialist countries such as Poland to privatize. There is, however, no inherent reason why only individuals, as distinct from governments, can be entrepreneurs. Similarly, there is no inherent reason why secure property rights will be an effective incentive only if they are assigned to individuals.

Growth will result as long as there are secure property rights for *some* organized unit and sufficient incentives for that unit to pursue growth. The impressive growth of collective rural industrial output between 1978 and 1988 is in large measure a result of local government entrepreneurship. Fiscal reform has assigned local governments property rights over increased income and has created strong incentives for local officials to pursue *local* economic development. In the process local governments have taken on many characteristics of a business corporation, with officials acting as the equivalent of a board of directors.[6] This merger of state and economy characterizes a new institutional development that I label *local state corporatism*.

I want to make clear that "corporatism" as used here differs from its use in previous studies. By local state corporatism I refer to the workings of a *local* government that coordinates economic enterprises in its terri-

[3] Anthony Downs, *Inside Bureaucracy* (Boston: Little, Brown, 1967), 201.

[4] On institutions and the incentives within them that shape economic and political behavior, see James G. March and Johan P. Olsen, *Rediscovering Institutions: The Organizational Basis of Politics* (New York: Free Press, 1989).

[5] Douglass C. North and Barry R. Weingast, "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England," *Journal of Economic History* 49 (December 1989).

[6] I present a preliminary version of this argument in Oi, "The Chinese Village, Inc.," in Bruce Reynolds, ed., *Chinese Economic Policy* (New York: Paragon House Press, 1988). Others have drawn a similar analogy between local government and business entities. See, e.g. articles in William Byrd and Lin Qingsong, eds., *China's Rural Industry: Structure, Development, and Reform* (New York: Oxford University Press, 1990).

tory as if it were a diversified business corporation. I am not concerned with the role of the central state in the vertical integration of interests within society as a whole.[7] Whereas the central state set the reform process in motion and provided localities with the incentives and the leeway to develop economically, it is *local* government that has determined the outcome of reform in China. Hence, my designation *local state* corporatism.

Local state corporatism suggests a loosening of central control in a Leninist system, but it does not refer to a process that some have labeled the reemergence of civil society.[8] My argument also contradicts, or at least greatly qualifies, theories of market transition that posit a corrosive effect of markets upon the power of local officials.[9] Local state corporatism is similarly difficult to square with the view that market reform is destroying the cellular, or honeycomb, nature of Chinese rural society and allowing for greater penetration by the central state.[10] On the con-

[7] Schmitter, for example, defines corporatism "as a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selections of leaders and articulation of demands and supports" (pp. 94–95). See Philippe C. Schmitter, "Still the Century of Corporatism?" reprinted in Fredrick B. Pike and Thomas Strich, eds., *The New Corporatism: Social-Political Structures in the Iberian World* (Notre Dame, Ind.: University of Notre Dame Press, 1974). Joseph Fewsmith uses a version of Schmitter's understanding of corporatism to describe China during the Republican period. See Fewsmith, *Party, State, and Local Elites in Republican China: Merchant Organizations and Politics in Shanghai, 1890–1930* (Honolulu: University of Hawaii Press, 1985). Alfred Stepan provides one of the most useful general treatments of corporatism. See Stepan, *The State and Society: Peru in Comparative Perspective* (Princeton: Princeton University Press, 1978), esp. pt. 1. Stepan uses corporatism to refer to "a particular set of policies and institutional arrangements for structuring interest representation. . . . In return for such prerogatives and monopolies the state claims the right to monitor representational groups by a variety of mechanisms so as to discourage the expression of 'narrow' class-based, conflictual demands. Many . . . have used such corporatist policies for structuring interest representation" (p. 46).

[8] This link is explicit in David Ost's treatment of Solidarity as an example of societal corporatism. See Ost, "Towards a Corporatist Solution in Eastern Europe: The Case of Poland," *Eastern European Politics and Societies* 3 (Winter 1989). A similar link to civil society is pursued in the writings on China, although with many more reservations. See, e.g., Anita Chan, "Revolution or Corporatism? Chinese Workers in Search of a Solution" (Paper presented at the conference Toward the Year 2000: Socioeconomic Trends and Consequences in China, Asia Research Centre, Murdoch University, Western Australia, January 29–31, 1992); Mayfair Yang, "Between State and Society: The Construction of Corporateness in a Chinese Socialist Factory," *Australian Journal of Chinese Affairs* 22 (July 1989); Peter Lee, "The Chinese Industrial State in Historical Perspective: From Totalitarianism to Corporatism," in Brantly Womack, ed., *Contemporary Chinese Politics in Historical Perspective* (Cambridge: Cambridge University Press, 1991); and Margaret Pearson, "The Janus Face of Business Associations in China: Socialist Corporatism in Foreign Enterprises" (Manuscript, Dartmouth College, 1992).

[9] Victor Nee, "A Theory of Market Transition: From Redistribution to Markets in State Socialism," *American Sociological Review* 54 (October 1989).

[10] Vivienne Shue, *The Reach of the State: Sketches of the Chinese Body Politic* (Stanford, Calif.: Stanford University Press, 1988).

trary, this analysis highlights the coexistence of a strong local officialdor and public enterprise with a thriving market economy and a weakene central state.

This paper shows how fiscal reforms have provided incentives for lo cal government officials to pursue economic, especially industrial, devel opment. I limit my discussion to an examination of local government a the county, township, and village levels—the lowest levels of govern ment and those most directly involved in rural industrialization. First, describe the ways that fiscal reforms changed the rules for the dispositio of locally collected revenues. Second, I analyze the interests and incen tives that these new rules have created. Third, I show why local govern ments chose to pursue rural industrialization. Finally, I examine hov local governments plan and coordinate economic activity to maximiz local interests. In the conclusion I consider some broader implications o local state corporatism for China's political future.

The analysis is based on interviews conducted with rural officials i China and on published Chinese sources. I conducted 222 interviews,[1] the bulk of which were with officials at the county, township, and villag levels and with managers of industrial enterprises owned by local gov ernment. A smaller number were with officials at the prefectural an provincial levels in Shandong. They include interviews at finance an tax bureaus, banks, material supply bureaus, township industry manage ment bureaus, agriculture bureaus, grain bureaus, science and technol ogy commissions, bureaus for the administration of industry and com merce, commerce bureaus, and economic and planning commissions. also interviewed county magistrates and county first party secretaries township and village heads, party secretaries, and accountants, plus offi cials of organizations such as savings and loan cooperatives, supply an marketing cooperatives, and grain stations, and, finally, private entrepre neurs.

I. The Fiscal Reforms and Rights to Revenue Flows

As part of the effort to reform the economy, the Chinese leadership be gan instituting fiscal reforms in the early 1980s. The major objective were to make localities fiscally self-sufficient, to reduce the central state own fiscal burden, and to provide incentives for local authorities to pr

[1] The interviews were done in 1986, 1988, 1990, and 1991. I conducted fieldwork in thr primary research sites: two counties in Shandong province and one county outside Tianj I also conducted interviews in a few counties and villages in Liaoning and Sichuan provinc Most interviews lasted two to three hours. A few of the interviews were with scholars wor ing on related topics at various research institutes and with national-level officials in Beijir

mote economic development. The most important of the fiscal reforms was a tax responsibility system for each administrative level down to the township.[12] By the mid-1980s provinces, municipalities, prefectures, counties, and townships were subject to a bottom-up revenue-sharing system that required localities to submit only a portion of their revenues to the upper levels and then allowed them to retain all, or at least most, of the remainder. Localities became independent fiscal entities that had both responsibility for local expenditures and the unprecedented right to use the revenue that they retained.[13]

Fiscal Contracting

Revenue sharing was formalized in fiscal contracts signed between the central state and each of its provinces, between each province and its prefectures, between each prefecture and its counties, and between each county and its townships.[14] Some places use an overall ratio, such as 70:30, where the locality keeps 70 percent and 30 percent is sent to the next higher level. In other cases the locality pays a set quota to the next higher level, but once that quota is met, the locality retains all or at least the bulk of the remaining tax revenues. Unlike previous revenue-sharing arrangements that changed annually, these contracts run from three to five years.

Whether a locality shares its revenue with the higher levels is determined by a complex calculation of fixed expenditures, fixed receipts, fixed payment upward, and fixed subsidy. The fixed expenditure is the amount that the higher authorities recognize as the minimum essential

[12] For a useful summary of the evolution of fiscal policies and variations in the formal system, see Michel Oksenberg and James Tong, "The Evolution of Central-Provincial Fiscal Relations in China, 1971–1984: The Formal System," *China Quarterly* 125 (March 1991); and James Tong, "Fiscal Reform, Elite Turnover and Central-Provincial Relations in Post-Mao China," in *Australian Journal of Chinese Affairs* 22 (July 1989); Christine Wong, "Fiscal Reform and Local Industrialization: The Problematic Sequencing of Reform in Post-Mao China," *Modern China* 18 (April 1992); and idem, "Central-Local Relations in an Era of ...cal Decline: The Paradox of Fiscal Decentralization in Post-Mao China," *China Quarterly* ... (December 1991). See also Audrey Donnithorne, *Centre-Provincial Economic Relations in ...ina* (Canberra: Contemporary China Centre, Australian National University, 1981). For ...re specific treatment of the tax reform in Shanghai, see Lynn T. White III, *Shanghai ...nghaied? Uneven Taxes in Reform China*, Centre of Asian Studies Occasional Papers and ...nographs, no. 84 (Hong Kong: University of Hong Kong, 1989). See also Shaoguang ...ang, "From Revolution to Involution: State Capacity, Local Power, and [Un]governability ... China" (Manuscript, Yale University, n.d.).

[13] The changes during the prereform fiscal system are numerous. On the early periods up ...til 1960, see Audrey Donnithorne, *China's Economic System* (London: George Allen and ...win, 1967); on the later period, see Wong (fn. 12, 1992).

[14] Tong (fn. 12) notes in his survey of the tax reforms that there is tremendous variation. ...t all areas have instituted the tax responsibility system to the township. The specifics of ... tax responsibility system are too diverse and complex to detail here in full.

budget items of local governments. The level at which the fixed expenditure is pegged determines how much a locality will pay to the upper levels or the amount of subsidy it will receive. The fixed expenditure includes the base salary of state cadres on the local government's payroll[15] and basic services, such as education and health. The amounts are based on past expenditures, with some provision for increases based on population. The fixed expenditure is then compared with the fixed receipts, the tax collection quota set for the locality. Not all provinces, prefectures, counties, or townships pay revenue to the next higher level. A locality makes a fixed payment upward to the next higher administrative level only if the tax revenues are greater than the fixed revenues. At each level from the province to the township there are some units that cannot generate sufficient revenues to cover expenditures.[16] And if the fixed receipts are less than the fixed expenditures, then that difference becomes the fixed subsidy for an area. The fixed subsidy is the subsistence ceiling for poor areas. If expenditures and receipts are equal, then a locality neither pays revenue to the upper level nor receives a subsidy. In one Shandong county of seventeen townships, ten were deficit and therefore received subsidies from the county, and the other seven paid taxes to the county.[17]

The system is very effective in promoting local government entrepreneurship because not all revenue collected by a locality is subject to revenue sharing. Only certain taxes collected by localities are subject to share contracts. The most important of these, the taxes on state and collective industries, constitute the core of the locality's "within-budget revenues" (*yusuannei zijin*).[18] Most of the other revenue that a locality collects is considered its "extrabudgetary revenues" (*yusuanwai zijin*).[19] This latter category includes (1) all those taxes that have been designated "local taxes," including the slaughter tax, the individual income adjustment tax, and the tax on private enterprise, and (2) nontax revenues, such as the various fees and surcharges collected by local government.[20] Most o

[15] Some cadres who work for local government are not considered state cadres. They ar paid not from the official budget but from extrabudgetary funds.

[16] Based on a report by China's minister of finance, Wong (fn. 12, 1991) writes that in 19f localities remitted a total of 44.7 billion yuan to the central budget while receiving centr subsidies of 56.3 billion yuan (p. 698).

[17] China Interview 52290.

[18] The other major items that make up the within-budget revenues include the agrici tural tax and the profits from state-run enterprises within the locality. China Interview 88'

[19] In addition, there are some taxes designated as "central" taxes. These similarly are r subject to revenue sharing. Central taxes are the sole property of the central state. Localit collect but receive nothing from central taxes, such as those on government commercial ag cies like banks and the post office.

[20] For the details, see Oi, "Private and Local State Entrepreneurship: The Shandong Ca (Paper presented at the annual meeting of the Association for Asian Studies, Washingt D.C., April 2–5, 1992).

these local taxes have remained fairly inconsequential as revenue sources. *Since the tax designations were drawn, however, the tax on private enterprises has become a very lucrative source of income for localities, a reflection of the dramatic growth of the private sector in the 1980s.* Taxes on the private sector accounted for close to a quarter of all taxes collected in one Shandong county in 1990.[21]

Extrabudgetary funds existed at various times during the Maoist period, and as in the current period they consisted of minor taxes and surcharges. The fiscal reforms greatly altered both the size of these funds and the rights of localities to use these funds: before the reforms were enacted, all use of extrabudgetary funds by a locality was subject to prior upper-level approval. Now localities have license to use these funds as they wish. Furthermore, the amount of these funds has grown enormously. During the Maoist period these funds reportedly constituted from about "1%–2% of revenue collection in rich provinces and no more than 5% for most provinces."[22] During the reforms, between 1978 and 1988, there has been an estimated sixfold nationwide increase in extrabudgetary revenues.[23] In 1989 the total extrabudgetary funds were 91.2 percent of within-budget revenues.[24] In some townships the sum of extrabudgetary revenues now *exceeds* the within-budget revenues. It is very difficult to know precisely how much such revenues any locality might have. In addition to the reported extrabudgetary funds held by local governments as an administrative entity (such as a county or township), by specific bureaus within a county, and by enterprises, there are also hidden extrabudgetary funds.

In the following section I examine the within-budget taxes to show why so much revenue remains within the localities. In a later section I describe the nontax revenues extracted by and retained by local governments. Table 1 is a list of the major taxes and nontax levies taken by local governments.

Within-Budget Tax Revenues

Taxes on industry constitute the bulk of the revenue that localities share with the upper levels. In the aftermath of the reforms, state-owned industry remains the largest contributor of tax revenues to local government, but the share of total taxes contributed by state-owned enterprises

[21] China Interview 81391.
[22] Wong (fn. 12, 1992), 205.
[23] On Kit Tam, "Fiscal Policy Issues in China" (Manuscript, University of New South Wales, Canberra, July 1990).
[24] *China Statistical Yearbook 1990* (New York: Praeger, 1991), 223.

TABLE 1
WITHIN-BUDGET TAXES AND EXTRABUDGETARY REVENUES FROM TOWNSHIP AND VILLAGE ENTERPRISES

Within-Budget Taxes	*Extrabudgetary Revenues*
1. Income tax	1. Local taxes
2. Circulation tax/industrial-commercial tax	2. Nontax levies
—product tax	—contracted profits
—value-added tax	quota
—turnover/business tax	over quota
	—management fee
	—ad hoc charges

is decreasing.[25] At the same time taxes on rural collective industry continue to grow in importance for local treasuries. Between 1978 and 1990 the tax from township and village enterprises increased nationally from 2.2 billion to 27.55 billion yuan (see Table 2). Taxes on both state and collective rural enterprises fall into two major categories: tax on profits and tax on sales.

TAX ON PROFITS

The enterprise income tax (*suode shui*) was billed as the means by which the state would receive revenue but still provide incentives for enterprises to be more efficient and profitable. Because the income tax is levied only on profits, it might more properly be called a profits tax. It is based on an eight-grade progressive scale, with the rates ranging from a low of 10 percent to a high of 55 percent on profits. The rate for the large enterprises (that is, those with profits over 200,000 yuan) is 55 percent.

In practice, income tax comprises only about a quarter of total industrial taxes nationally.[26] The income tax rates are not negotiable, but the tax an enterprise pays can be reduced by inflating costs, thus decreasing profits. What can be written off as costs is largely at the discretion of the local officials charged with assessing the tax. In a semiplanned economy such as China's, "profits" and "costs" are subjective categories affected by factors beyond the control of a factory manager. In addition, institutional arrangements routinely allow the profit base to be reduced. For example, until the rule change of the late 1980s, income tax was commonly reduced by allowing enterprises to deduct loan payments from

[25] See Wong (fn. 12, 1991); and Barry Naughton, "Implications of the State Monopoly over Industry and Its Relaxation," *Modern China* 18 (January 1992).

[26] In 1988 it was 25.3% of total industrial taxes. *Zhongguo tongji nianjian 1989* (Beijing: Zhongguo tongji chubanshe, 1989), 240.

TABLE 2

COLLECTIVE, TOWNSHIP, AND VILLAGE ENTERPRISES, 1978–90[a]

Category	*Unit*	*1978*	*1980*	*1985*	*1986*	*1987*	*1988*	*1989*	*1990*
Enterprises	million	1.52	1.43	1.57	1.52	1.58	1.59	1.54	1.45
Workers	million	28.27	30	41.52	43.92	47.18	48.94	47.2	45.92
As % of rural labors	%	9.5	9.4	11.2	11.6	12.1	12.21	11.53	10.93
Output Value	billion yuan	49.3	65.69	198.78	245.87	323.74	436.27	485.56	542.92
As % of rural output	%	21.2	23.5	43	47.7	34.32	34.81	33.53	32.67
Income	billion yuan	43.15	59.61	182.74	222.36	293.41	423.22	482.16	521.86
Taxes	billion yuan	2.2	2.57	10.86	13.73	16.81	23.65	27.25	27.55
Net Profit	billion yuan	8.81	11.84	17.13	16.1	18.78	25.92	24.01	23.27

SOURCES: *Xiangzhen qiye nianjian 1978–1987* (Beijing: Nongye chubanshe, 1989), 569; and *Zhongguo tongji nianjian 1991* (Beijing: Zhongguo tongji chubanshe, 1991), 315–78.

[a] Figures for 1978 and 1980 refer to all categories of rural enterprises. Figures for 1985 to 1990 refer only to collectively owned township and village enterprises.

income before assessing the tax. In addition, there are areas that gra across-the-board cuts as standard practice; some provinces are particu larly generous in this regard. In the eastern province of Zhejiang, fo example, if the applicable tax rate is above 30 percent, then the amount taxed at the higher rate is cut in half. In the southern province of Guangdong, if the rate is above 20 percent, the tax levy above that level is cut in half.[27] My interviews reveal that a number of established township and village enterprises either had never paid income tax or were just about to be assessed income tax for the first time in 1988.

National regulations allow favorable treatment for township and village enterprises with regard to the collection of income tax, but whether the central state intended to provide the deep discounts described above is questionable. National regulations exempt new enterprises from income tax on their first year of business; some localities have extended the exemption to two or three years. In addition, local authorities confer a favorable tax status on enterprises that meet any of a long list of conditions.[28] To mention just a few, exemptions are granted to factories that serve agriculture, hire the handicapped, or are located in the designated old revolutionary base areas. Existing factories that start a new product line receive a tax holiday on the profit from that production.

TAX ON SALES OR VALUE ADDED

Local governments also derive revenue from enterprises through a second category of taxes based on production, income, or sales, irrespective of profits. These taxes are sometimes loosely termed circulation taxes (*liuzhuan shui*) or the industrial-commercial taxes (*gongshang shui*). The primary ones include the product (*chanpin*), value-added (*zengzhi*), and turnover/business (*yingye*) taxes (see Table 1).

Together these levies comprise the bulk of township and village enterprise taxes; nationally for 1988 they yielded almost three-quarters of the total taxes on township and village enterprises.[29] For example, one large Shandong village factory had total gross profits of 376,000 yuan for

[27] He Xian, "Woguo xiangzhen qiye shouru fenpei wenti," *Zhongguo nongcun jingji* 3 (March 21, 1988), 34.

[28] See *Xiangzhen qiye nianjian 1978–1987* (Beijing: Nongye chubanshe, 1989), 270, for an official list of exemptions. Setting up factories for the disabled and therefore earning tax-free status was pursued in two of the Shandong villages that I investigated.

[29] *Zhongguo tongji nianjian 1989* (fn. 26), 240. These proportions were similarly reflected in my field research. China Interview 6688. Andrew Walder also found that second category taxes on *state*-owned enterprises located at the county level contributed more to the local treasury than did the income tax. See Walder, "County Finance and Local Industry: A View from Zouping County, Shandong" (Paper presented at the Jackson School of International Studies, University of Washington, Seattle, February 15, 1990).

1987–88. It paid a total of 146,000 yuan in taxes, or 38.8 percent of total profits. But of this amount only 36,000 yuan was income tax; the remaining 110,000 yuan, or 75.3 percent, was sales and other taxes. When one compares the industrial-commercial tax with the agricultural tax, the logic of pursuing industry is obvious. In one township the industrial-commercial taxes yielded almost twice the agricultural tax—485,000 yuan as compared with 260,000 yuan.[30]

Second-category taxes are more strictly enforced and collected than the income tax.[31] Yet, as in state industry, there seems to be room for reductions and exemptions.[32] For example, in a highly industrialized Shandong village, taxes as a percentage of total village enterprise income decreased over time. Tax breaks, especially for new enterprises, explain some of the decrease. Thus, in the last few years this village developed a number of new enterprises, the income from which is eligible for various tax holidays. The village has also been able to reduce its tax base with the arrangement that allows for repaying loans before taxes. Similar tax breaks were enjoyed by a county outside Tianjin. In 1987 the county collected 59.30 million yuan in taxes, but almost half as much, 26.65 million yuan, was given in tax breaks.[33] In a Shandong county the amount given in tax breaks from 1987 to 1990 averaged close to 7 million yuan per year. In 1990, for example, 39.2 million yuan was collected in taxes, but 5.3 million was given in reductions or exemptions.[34]

Extrabudgetary Nontax Revenues

Localities can collect a minimum of taxes to satisfy tax quotas and provide a sufficient base for local expenses, but they need not assess national taxes in the predatory fashion that some might expect of a government in fiscal need.[35] A locality need not lose revenue by not collecting the maximum amount in taxes. Which level of government receives what income and how much through nontax levies depends on whether an enterprise is owned by a township or a village. Village-owned enterprises pay no nontax levies to the township.

[30] China Interview 21688.
[31] He Xian (fn. 27).
[32] On the state urban sector, see Andrew Walder, "Local Bargaining Relationships and Urban Industrial Finance," in Kenneth G. Lieberthal and David M. Lampton, eds., *Bureaucracy, Politics, and Decision Making in Post-Mao China* (Berkeley: University of California Press, 1992).
[33] China Interview 8888.
[34] China Interviews 52290 and 81391.
[35] Margaret Levi, among others who have highlighted the predatory nature of states, tends to focus on taxation policies. See Levi, *Of Rule and Revenue* (Berkeley: University of California Press, 1988).

Up to this point I have referred to local governments as a single entity, but in reality, even though the government may be seen as a corporate entity, within the corporation there are diverse interests competing for limited resources. Hence, it is useful to distinguish between a township government and the specific agencies within the government, particularly the economic commission. This distinction may seem overly technical, but in interviews local government officials and factory managers were careful to distinguish between the two. All within the township government have an interest in developing industry, all look to the profits from industry, but different parts of the government are responsible for different expenses. The township government as a whole is responsible for all aspects of the township and all of its various economic interests and welfare needs. The township economic commission is under the township government, but it is also a subordinate organ of the county-level township enterprise management bureau. It is specifically responsible for collectively owned enterprises. Money paid to the economic commission is more likely to be used exclusively for township and perhaps for village enterprises. In most townships, the township collective enterprises pay the bulk of the nontax levies to the economic commission, not to the township government.[36]

BEFORE-TAX LEVIES

The one levy that is paid directly to the township government is a set percentage of a township enterprise's gross income before any taxes are deducted. National regulations stipulate 10 percent, but the precise amount in some cases is higher, sometimes reaching 20 percent. While the amounts vary, all townships seem to require this payment. Some areas levy an additional amount, an "aid agriculture, aid sidelines fund" before taxes.[37]

AFTER-TAX LEVIES

Most of the after-tax levies are paid to either the township or the village, depending on the level of ownership. Because each level of government, but not individual enterprises, has property rights to after-tax profits, townships and villages use after-tax levies as a second source of revenue.

[36] Again, there seem to be regional variations. But in the majority of my cases profits are paid to the economic commission.

[37] He Xian (fn. 27) provided no details, but I assume that the sidelines refer to such activities as pig raising done by households. Around Shanghai, this is an additional 10%. In the same region there is yet a third levy, this one on workers in the enterprises, that goes toward the "aid agriculture, aid sidelines fund." He Xian (fn. 27).

At the township level, township-owned enterprises are under the supervision of the township economic commission, which collects revenue from its enterprises in two ways. First, it gets a management fee of 1 percent of total sales. This is one of the few sources of nontax levies that the township shares.[38] A percentage (50–70 percent) of this goes to the county township enterprise management bureau.[39] Second, the economic commission receives rent from factory managers who contract to use the collectively owned enterprises. This is the contracted profits stipulated under the responsibility system, consisting of quota profits and over-quota profits. Quota profits are those that a factory has contracted to meet; over-quota profits are those above that target.

National regulations stipulate that township governments are to limit themselves to no more than 20 percent of an enterprise's total after-tax profits. However, in practice, the actual share taken by economic commissions is higher. In one county outside Tianjin, for example, the economic commission took 40 percent of the quota profit and 30 percent of the over-quota profit. The way that local officials justified this in terms of national regulations reflected their view of the economy as a corporate entity. Since the funds were used for the unified management of the enterprises in the township as a whole, they explained, some of the money would eventually be returned to the enterprises.[40]

On top of the standard fees and levies, such as the management fee and contracted profit, there are a variety of other local ad hoc levies on enterprises designed to meet shortfalls in local revenue. Because the levies are taken on a need basis, these enterprises have been dubbed the "cash registers" of local government. Those who most often take such funds are the economic commissions that directly control the enterprises. Heads of economic commissions in a number of localities freely admit that they take profits from rich enterprises whenever they need extra funds. And those who deny using such practices are all aware of the practice and places that use it. This "borrowing" is most commonly done when the economic commission needs to pay off debts incurred by one of its enterprises or to expand production in one of its enterprises. One

[38] This also varies. In one county, which contains one of the richest and one of the most industrialized villages in China, the economic commission took only .6% of sales as a management fee.

[39] There are indications that this amount is not always forwarded.

[40] China Interview 8688. As a result of national regulations the amount taken by some economic commissions has apparently been reduced in the last couple of years. According to one county official of a township enterprise management bureau in Shandong, before 1985 the township economic commission took as much as 40–50% of total after tax-profits. China Interview 53188.

township economic commission took over 3 million yuan for these pui poses between 1986 and 1988.[41]

At the village level, too, village factories (like township enterprise: must turn over the contracted after-tax profits. The amounts vary con siderably: some pay a set percentage of profits, others a fixed levy. In th more developed villages, factories pay the village enterprise managemen committee a management fee of 1 percent of total income. In som highly industrialized villages, enterprises also pay an assortment of othe fees and "voluntary contributions" as needed by the village (see Table 3) And as in the case of townships, villages simply take profits from well off factories as the need arises. The nontax levies on village enterprise may seem less complex, but compared with township enterprises ii terms of amounts taken out, they are on the high end of the continuum In one village about 70 percent of enterprise profits either were takei out in taxes or turned over to the village as profits and fees.[42]

Because of the small size of village governments and the overwhelm ing power of the party secretary, it matters little if the profits and fee are paid to the enterprise management committee or to the village gov ernment. At the village level they are one and the same. More than an of the other levels, the village economy is the closest to that of a smal corporation, where profits from one sector are freely used to suppor other sectors.[43]

TABLE 3
TYPES OF NONTAX LEVIES ON VILLAGE-OWNED ENTERPRISES

1. Contracted Profits
2. Management fee
3. Other Fees for
old age pension
culture-education
benefits
building fund
land use
4. Voluntary contributions
(ad hoc payments, sometimes requested as donations, and given as needed)

[41] China Interview 71988.
[42] China Interview 6488.
[43] For further documentation on this, see Oi, "The Fate of the Collective after the Com mune," in Deborah Davis and Ezra Vogel, eds., *Chinese Society on the Eve of Tiananmen: Th Impact of Reform*, Contemporary China Series, no. 7 (Cambridge: Council on East Asia Studies, Harvard University, 1990).

II. Institutional Interests and Incentives for Local Economic Growth

Budget constraints make it imperative for all local officials who have political ambitions, however modest, to try to expand revenue-generating sources.[44] This applies to those from whom the state requires payment of revenues, to those from whom it requires no revenue payments, and to those to whom it makes subsidy payments. County-level finance officials are quick to point out that the fixed subsidies are barely sufficient to maintain a functioning township government. There is no slack for the improvement of services; there is no room for bureaucratic growth. The number of bureaucratic positions for which the fixed subsidies will pay is set.[45] The upper levels do not provide additional funds to localities as expenditures increase. The fact that some have not succeeded in developing their local economy is due not to the lack of incentives but to other constraints, such as a locality's lack of resource endowments or the incompetence of its officials.[46]

How hard local governments work to increase revenues is tied to secure rights to increased revenues, however. Knowledge that they would be the direct beneficiary of increased revenues at a minimum fixed rate for three to five years was critical in prompting local governments to respond enthusiastically to the incentives embedded in the revenue-sharing system. Before localities had such assurances there had been few incentives to be entrepreneurial. Local finance officials have criticized the tax-sharing systems in effect in the early 1980s as offering them little incentive to work harder. Not only did localities have to meet tax quotas set by the upper levels, but they also had to turn over all surplus profits.[47] Such sentiments are reminiscent of the complaints by peasants under the Maoist system: they had little incentive to produce more grain because

[44] For the purposes of this analysis I am assuming that cadres are noncorrupt. Obviously, some are. But corruption is not a very useful explanation and would leave unexplained the impressive growth that has taken place in China's rural economy. Moreover, rapid economic growth does not preclude the improved well-being of those local officials. One must also keep in mind that the new budget constraints imposed by the fiscal reforms compel local officials to keep their own greed in check and use the profits and revenues from local enterprises to fund local expenditures and for reinvestment. The rapid growth in China's rural economy, particularly the 25-plus percent growth rate in rural industrial output, suggests that officials have used these funds to promote further growth, not just to line their pockets.

[45] On the growth of local governments, see Tyrene White, "Political Reform and Rural Government," in Davis and Vogel (fn. 43); and idem, "Below Bureaucracy: The Burden of Being a Village under the Local State" (Paper presented at the annual meeting of the Association for Asian Studies, Chicago, April 5–8, 1990).

[46] Byrd and Lin (fn. 6) examine reasons why some areas have not successfully developed rural industry.

[47] China Interview 52290.

they knew that increased production had no positive effect on the amount of their grain rations.[48] The principle that "what is important is not what is taken out, but what is left"[49] holds at least as much for taxes as for grain.

To ensure that all local officials do their utmost to develop rural enterprises, officials at each higher level of government set quotas for the subordinate level. The bonus pay of officials becomes linked to the performance of township enterprises in meeting profit and production quotas. The prefecture docks the county, and the county docks the bonus of township-level officials if the enterprises for which they are responsible fail to meet the quotas set by the county.[50] The township can affect the bonus that village officials take, but its control is less complete. But village-level officials have their own incentive to promote village industries actively since their salaries are directly tied to the total income of the village. The system is structured so that local officials have a double incentive to promote rural industry: growth allows them to benefit economically as individuals, without resort to corruption, and it allows them to alleviate the budget constraints that make their jobs difficult. Both their personal economic well-being and the financial health of the local economy are tied to successful economic development.

The most problematic aspect of the fiscal reforms for local government is the revenue sharing and assessment of within-budget taxes. The interest of local governments with regard to taxes is colored by the conflicting role that officials are expected to play. On the one hand, if local government pursues its interests as a corporation, it will try to maximize its profits and pay as little tax as possible to the central state. The rather lax assessment of the income tax is one manifestation of this tendency. On the other hand, local government cannot behave simply as a corporation intent on maximizing profits; local government is also the agent of the central state charged with tax collection, and it must meet the tax quotas agreed upon in the fiscal contracts signed with the higher levels. These tensions inhere in the broader problem faced by all local officials—having to represent both central and local interests, while watching out for their own political interests.[51] The solution that allows local governments to meet their responsibility to the upper levels and also

[48] For an elaboration of this point, see Oi, *State and Peasant in Contemporary China: The Political Economy of Village Government* (Berkeley: University of California Press, 1989).

[49] James C. Scott, *The Moral Economy of the Peasant: Rebellion and Subsistence in Southeast Asia* (New Haven: Yale University Press, 1976).

[50] China Interview 21688.

[51] I discuss how this tension was resolved by Maoist cadres in Oi (fn. 48).

increase local revenues lies in the extraction of nontax revenues and collection of those taxes designated as local.

III. Fiscal Reform and the Rise of Rural Industry

The problem faced by local governments was how best to generate revenues. Decollectivization eliminated agriculture as a viable source of needed revenue. After the institution of the responsibility system that made the household the unit of production and accounting, local governments, especially at the village and to a lesser extent at the township levels, lost legitimate access to all income from agriculture, except for a percentage of the nominal agricultural tax. Income from the sale of agricultural products went to the household.

The combination of decollectivization and revenue sharing forced local officials to make careful calculations of the benefits and costs of the different sectors of the rural economy. The smaller return on funds invested and the limited access that local officials had to income from agriculture, especially grain production, made agriculture the least desirable investment option.[52] Once the diversification of the rural economy was encouraged, local officials diverted resources and energies from agriculture to more profitable enterprises. One possible source was to promote the development of the private sector and gain revenues through taxation.[53] That, as I noted above, can be quite lucrative for local coffers. However, because of the political taint still associated with private enterprise and the shifting political winds at the center toward private entrepreneurs, that route is taken cautiously.[54] The most lucrative and least problematic strategy politically was the development of rural collective enterprises (*xiangzhen qiye*).[55]

Not only did rural collective enterprises provide a solution (applauded by the national leadership) to the surplus labor problem that arose from decollectivization,[56] but they were also increasingly lucra-

[52] For a more detailed discussion of the diverse effects of the fiscal reforms on agriculture, see Oi, "Chinese Agriculture: Modernization, But at What Costs?" in Thomas Robinson and Zhiling Lin, eds., *The Chinese and Their Future: Beijing, Taipei, and Hong Kong* (Lanham, Md.: University Press of America, 1992).

[53] I examine this option in Oi (fn. 20).

[54] The exception is in places like Wenzhou, which is famous for its private businesses.

[55] The term *rural enterprises* includes various types of ventures, from factories to food stalls, that range from collective to private owned. The largest and economically most significant of the enterprises in terms of output value, number of people employed, and taxes paid are those owned by local government, either the township or village. Unless otherwise noted, the discussion in this article is limited to collectively owned enterprises.

[56] The percentage of the rural labor force engaged in all types of rural enterprises rose

tive.[57] Beginning as a small part of the rural economy in 1980, by 198: industry had already surpassed agriculture nationally as the dominant source of rural income.[58] For the twelve-year period from 1978 to 199(the output value of these collective enterprises increased by 26.7 percent.[59] By the end of 1991 rural industry was producing 50 percent of total industrial output, equal to that of the state-owned industrial sector.

As the legal owner of these enterprises, local governments could legitimately extract nontax levies—the various fees and ad hoc surcharges described above. Revenue from rural collective enterprises has been the source of funds for public services, welfare, and subsidies to other, less profitable, sectors of the economy, such as agriculture, in addition to serving as the base for industrial expansion. Localities that have rural industry can provide services and are most likely to be strong effective governments; those that do not are most likely to be weak and ineffective governments.

Given the fiscal importance of rural industry, it is not surprising that it has mushroomed throughout rural China, in particular, rural industry owned by village governments. By 1988, 46.6 percent of all counties in China had rural industry with output value in excess of 100 million yuan.[60] Township and village enterprises total around 1.5 million. Table 2 provides a twelve-year overview of the development of these enterprises. In absolute numbers they are only a minor portion of the more than eighteen million enterprises in the countryside, but they are the most important in terms of the amount of revenue and output value generated.[61]

The local variations and the ad hoc levies also make it difficult to determine precisely how much of enterprise revenues any township government and its economic commission take. A national study of township governments found a tremendous range in what they took from their enterprises: from the bulk of enterprise profits to a small portion to little more than the management fee (see Table 4).[62] The amount turned

from 9.5% in 1978 to 22.1% in 1990. The proportion is even higher in areas with developed rural industries. Zhang Hongyu (fn. 2).

[57] See Byrd and Lin (fn. 6) for detailed studies of rural enterprises based on survey data. See also Christine P. W. Wong, "Interpreting Rural Industrial Growth in the Post-Mao Period," *Modern China* 14 (January 1988); and Oi (fn. 43).

[58] *Zhongguo tongji nianjian 1988* (Beijing: Zhongguo tongji chubanshe, 1988), 214.

[59] Zhang Hongyu (fn. 2).

[60] *Zhongguo nongye nianjian 1989* (Beijing: Nongye chubanshe, 1989), 20.

[61] The others are private or joint-stock enterprises.

[62] He Xian (fn. 27).

TABLE 4
REGIONAL DIFFERENCES IN AFTER-TAX PROFITS PAID TO TOWNSHIP AND VILLAGE GOVERNMENTS

oportion Paid	*Example*	*% of Profits Paid to Government*
Large	Beijing,	56.99
	Shanghai	71.67
Small	Jiangsu,	30.00
	Zhejiang,	30.00
	Hebei	30.00
Minimal	Zhejiang (Wenzhou)	management fee

URCE: He Xian (fn. 27), 34.

TABLE 5
DIVISION OF TOWNSHIP AND VILLAGE ENTERPRISE PROFITS, 1984–87

ar	*Income Tax as % of Total Profits*	*% of After-Tax Profits Taken by Government*
'84	24.8	52.17
'86	—	40.78
'87	21.7	39.1

URCE: *Xiangzhen qiye nianjian 1978–1987* (fn. 28), 270.

'er was correlated with the extent to which government was involved investment and development of production. Unfortunately, the study es not tell us which method is the most common. It is important to te that the "small" amount is still 30 percent of after-tax profits.[63] Agegate statistics suggest, however, that the percentage of such profits ing to government may be decreasing. Comparing 1984, 1986, and '87, the amount of after-tax profits paid to either township or village vernments has decreased from 52.17 percent to only 39.1 percent (see able 5).[64]

Regardless of the precise amounts, overall revenues from enterprises the township, and particularly at the village, level are controlled either rectly or indirectly by local officials. Profits that are not extracted are ictly regulated. Rules stipulate *how* retained profits must be used—is holds for township as well as village enterprises, and there is a forula that sets strict limits on the amount that can be used for workers' nefits and bonuses; the bulk of profits must be used for reinvestment.

[63] Ibid.
[64] *Xiangzhen qiye nianjian 1978–1987* (fn. 28), 270.

IV. The Sinews of Local State Corporatism

Some might read the above statistics on high rates of extraction as evidence that local officials are corrupt and bleed the collective enterprises under their control—behavior that could be seen as confirmation of the predatory nature of states. But one should go further, to examine how this income is used rather than simply accepting this behavior as rent seeking. A framework that would account for both the heavy local extractions and the significant growth of China's rural economy is to analyze local government as a corporation: it takes profits from its factories to pay for expenditures and for reinvestment.

The extraction of profits from enterprises is one of the most important mechanisms for allowing local governments to operate as a corporation. As the holders of rights over income flows, local governments can decide as a corporation how to use profits from its various enterprises and how to redistribute income.[65] But a successful corporation also needs other means to control the operation of its enterprises. Among the most important of these are the selection of management personnel, control over the allocation of scarce production inputs, provision of services, and control of investment and credit decisions. Much of the infrastructure for exercising government direction remains from the Maoist period. Let me now turn to an examination of the levers of government control.

Factory Management

Contracting or leasing of enterprises to individuals rather than privatization facilitates local government intervention and control. Decollectivization leased ("contracted") but did not sell collectively owned factories to private individuals under the *contract responsibility system.*[66] Furthermore, factory managers who contract to operate factories do not have the same degree of autonomy as do peasants who contract to farm collectively owned land. In practice, the contract responsibility system has only decentralized the day-to-day management of collectively owned enterprises and provided incentives for factory managers to be efficient and increase production—they receive bonuses if they overfulfill their quotas. But beyond that, the lessee is nothing more than an employee of

[65] See Oi (fn. 43) for a more detailed discussion of how this income keeps the village together as a "collective" by providing the necessary funds to pay for welfare and public services and to support agriculture, as well as for reinvestment in industry.

[66] An exception seems to be Fujian, where Nee and Su indicate that they were sold. See Victor Nee and Su Sijin, "Institutional Change and Economic Growth in China: The View from the Villages," *Journal of Asian Studies* 49 (February 1990).

ıration; he has no rights to dictate the disposition of enterprise 'hat role remains with local government.

ıntract responsibility system charges factory managers with the f running the factory efficiently and profitably—but with only ontrol over factors of production. Those who lease collective are dependent on higher executive management (that is, the :ials who are sometimes, concurrently, the chairmen of the vil-ustrial corporation) to make key decisions. Where the factory may make suggestions about personnel, development, invest-d product line, the implementation of these changes and pro-quires official approval. Factory managers who make good sug-or happen to run the factories targeted for development or ı may receive large bonuses, but the engine for change and de-ıt is local government.

: Allocation

ll the divisions within the corporation should receive assistance, y do corporate resources offer such undifferentiated support. ıe Maoist period all enterprises received some subsidies, but the ırms mandate that local governments make inequitable treat-enterprises a matter of policy. The unofficial favoritism of the :riod has now been formalized, and new criteria are applied to e who will receive preferential treatment: resources and breaks .ed to those enterprises that can generate the most benefit for rate good.[67]

rategy of selective support of certain enterprises is reminiscent ; administrative guidance.[68] Preferential allocation of key pro-nputs and bureaucratic support provides certain enterprises most favorable environment for growth. To this end local gov-have begun to rank enterprises. Moreover, they let it be known in enterprises are considered especially important and therefore f special treatment.

ting of enterprises is yet to be firmly institutionalized, however. pressure and personal connections may still lead to preferential ıt banks and bureaus are increasingly allocating resources and ; assistance based on the merit of an enterprise or its potential te revenues. One way that local governments have tried to in-

rporate good is defined more broadly than narrow economic interest and profits. de social as well as ideological interests.

:rs A. Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy,* Stanford, Calif.: Stanford University Press, 1982).

stitutionalize this preferential treatment is to rate firms on the ba past performance, with a firm's rating determining the level of ser and assistance it receives from the government and its affiliated ins tions. Sometimes the ratings are done within specific bureaus. Foı ample, the material supply bureaus have industries that are supplied and have the best chance of getting the lowest-price inputs; these designated key points (*zhongdian*). The rural industry management reau working with the science and technology commission prov technical assistance to those units that they assess as the most promis

There are two types of selective allocation. The first is privileged cess to those inputs that are supplied to localities under the central ; cation system, that is, the plan, which still exists. These are items thaı rationed and for which the prices are lowest. For inputs such as steel cement, the quantities allocated to rural areas are severely restricted. ficials have little discretion with regard to these production material they are usually earmarked for specific enterprises that are producing the plan. The most that a locality can hope for is access to state-supp goods that are sold at higher than rationed prices but at lower than n ket prices.

The second, more common form is privileged access to inputs thaı not rationed but are simply scarce. This would include, for example, oil, supply of electricity, and raw materials. This privileged access i goods that are secured and sold at *market* prices. Like the privile access that comes from using connections and going through the b door, common not only in China but in all communist systems, wh being given is not necessarily a cheaper price but the opportunity t first in line to buy the best of the available items at the posted prices the Chinese rural industrial context this means being able to buy the ton of steel that the material supply bureau was able to procure ; favorable market price. It might also mean the opportunity to be hoo up to the special electric generator the township has installed to pro uninterrupted power to its most important industries. Plant shutd because of power shortage is one of the major problems faced by facto in both urban and rural areas.[69]

Bureaucratic Services

In addition to supplying production materials, local governments promote certain enterprises by providing bureaucratic services. These clude help in securing licenses, certification and prizes for products, tax breaks. As one might expect, agencies that are essential to rural

[69] Some factories regularly work in the middle of the night when the supply of electr is more reliable

terprises, such as the science and technology commission and the town-ship industry management bureau, expend large amounts of time and nergy intervening with key agencies at the higher levels on behalf of ocal industry to acquire technology, materials, funding, and so on. They ften personally accompany factory managers to the higher-level ureaus. The daily routine of leading cadres at the county-level township ıdustry management bureau is filled with trips to the prefecture, even ɔ Beijing, on behalf of specific enterprises.

Local state corporatist systems are noted for their ability to mobilize ot just one but all agencies and bureaus within local government to urture selective township and village enterprises. Moreover, these agen-ies provide services well outside of their administrative domain. For xample, the county tax bureau not only collects taxes and gives tax reaks, but it also helps enterprises train accountants and find scarce echnical personnel, one of the most pressing problems facing rural in-ustry. Agencies use their connections to influence other agencies to end the rules in favor of an enterprise. County tax bureaus, for example, obby banks on behalf of local enterprises. To encourage a bank to give risky loan, the tax bureau agrees to allow an enterprise to repay the ank loan before taxes are assessed.

In addition to providing routine and extraordinary service to selective nterprises, various agencies—including the tax bureau, the finance bu-eau, and the science and technology commission—have funds that ıey loan directly to enterprises. Banks are still the major source of redit, though it is possible to bypass this complicated official credit sys-em. The local government bureaus have amassed pots of money from which they can unilaterally give no- or low-interest loans to help indus-ries. The amounts are not large, but they can make a difference, partic-larly if a factory needs circulating capital to purchase raw materials. These local government sources of funding become critical when the pper levels decide to rein in growth by cutting credit, as they did in 988–89.[70]

NVESTMENT AND CREDIT

Control of investment and credit decisions is one of the most effective evers used by local governments to shape the course of development. Much of their ability to control investment is related to the amount of vailable credit in a given locality. Like an enterprise in a market econ-my, a Chinese rural enterprise goes to a bank to get loans. However,

[70] See Oi, "Fiscal Reform, Central Directives, and Local Autonomy in Rural China" (Pa-er presented at the annual meeting of the American Political Science Association, Washing-n, D.C., August 29–September 1, 1991).

unlike banks in a market economy, banks in China are not fully mercial operations. The amount that local banks can lend is determ by quotas set by the upper-level banks. The bank hierarchy allocate amounts of funds to individual branches. Only recently have local ba been able to lend additional amounts based on their own deposits.[71]

Local governments exert further control, because in China a rural e terprise needs a guarantor to secure a loan; its own property is not su ficient collateral. The township economic commission often serves as th guarantor for township enterprises. Regardless of whom a factory man ager secures as a guarantor, the banks are hesitant to make a capital investment loan of any size unless the local officials approve and support the project. For any major investment undertaking, it is the local officials who personally mobilize funds through the use of personal and professional connections. The head of the economic commission, the party secretary of a township, and the county head use their influence to persuade bank officials of the merit of favored projects. Sometimes tax officials, either on their own or at the urging of a county leader, will try to persuade bank officials to release a loan, by offering to allow loan repayments before taxes are assessed.

In recent years enterprises have been given credit ratings. County officials rate enterprises annually to determine the fixed capital credit as well as the financial services that each is eligible to receive at the local bank or savings cooperative. This further identifies for the banks those enterprises deemed important and creditworthy by local officials. These enterprises are then accorded the quickest approval for loans within their prescribed credit limit.

Local officials also promote local industry by allowing semiprivate credit institutions to operate. These sources of credit have only limited funds, but in periods of tight credit, such as 1988–89, they provide a critical avenue for bypassing regulations aimed at constraining growth.[72] Local officials usually do not serve on the boards of these credit institutions, but their tacit support is important for their continued operation.

V. Implications

The successful role of local governments in China's development point to the need to specify further the existing theories about the relationshi

[71] For a more detailed discussion of bank reforms, see On Kit Tam, "Prospects for Re forming China's Financial System" (Paper presented at the Conference on China's Reform and Economic Growth, Australian National University, Canberra, November 11–14, 1991)

[72] Oi (fn. 70).

een economic growth, property rights, and government interven-. In this study I have shown that individuals need not have property hts over enterprise profits for economic growth to occur. Given the ge number of formerly socialist systems attempting market reform d economic development, the Chinese model may stand as a less rad-al but viable alternative to privatization. Furthermore, the Chinese case aises questions about the adequacy of rent-seeking theories of the state to capture the role of extracted revenues when the local state is the en-trepreneur and redistributive orientations hold sway.

The economic outcome of local state corporatism in China is a thriv-ig *rural economy with an industrial* sector *that* now rivals state-owned idustry *in production* value *and factor productivity. Some* economists ave questioned the economic efficiency and value of rural industrial-ation. Critics stress that because growth in China's reform economy as been driven by the fiscal needs of individual local governments rather ian by a nationally coordinated effort, rural enterprise may be profitable cally, but they may be redundant if viewed nationally.[73] Nonetheless, e rise of rural collective industry has created market competition and duced the role of the central state in dictating patterns of economic owth. In the short run localities might subsidize enterprises simply to nerate sales and product taxes, which are unrelated to profits, and to nploy increasing numbers of surplus laborers from agriculture.[74] Over e long run, however, severe budget constraints will cause local officials change product lines or close inefficient rural industries. Certainly, iral enterprises have shortcomings, but some economists have begun to nsider them as the necessary competition to make state enterprises iore efficient.[75] In the short run the problem for the central state is that ate industry can no longer show a high rate of profits, which in turn duces revenues to the central government.[76]

The Chinese case also demonstrates that the introduction of markets as not resulted in a proportionate decrease in the role of local govern-ient. Authors who originally stressed the transformative effects of mar-ets now emphasize the ways in which rural governments are like local rporations.[77] A distinguishing characteristic of local state corporatism

[73] See Wong (fn. 12, 1991 and 1992).
[74] Walder (fn. 29) has found the same phenomena operating with regard to the state-vned factories at the county level.
[75] Chen, Jefferson, and Singh (fn. 1).
[76] See Naughton (fn. 25).
[77] Compare Nee (fn. 9) with Victor Nee, "Organizational Dynamics of Market Transition: ybrid Forms, Property Rights, and Mixed Economy in China," *Administrative Science Quar-ly* 37 (March 1992).

is that markets are a key part of the local economy but government coordination and intervention continue. Most of the materials used by the rural enterprises are secured through the market; but ability to pay is necessary but not necessarily sufficient for access. Local officials have assumed new roles as entrepreneurs, selectively allocating scarce resources to shape patterns of local economic growth.

Moreover, the combination of the fiscal reforms and market competition has reinforced rather than broken down the cellular nature of rural society in a number of respects. Although there certainly is more mobility, opportunity, and trade across "cells," there is strong parochialism. Rural industrial development has made possible substantial redistribution of income and the provision of greater services and benefits than was ever possible under the Maoist system, but provision is limited to registered members of the community. The benefits given to outside workers in village-run collective enterprises are less than those given to workers from the village. The growing protectionist sentiment is evident in the unwillingness of local grain stores to sell low-priced, subsidized grain to any urban residents holding valid grain-ration coupons other than to those registered in the locality. In the past localities routinely complied with national regulations stipulating that anyone holding valid coupons should be sold subsidized grain. These regulations still hold, but budget constraints have made it too costly for localities to spend their valuable subsidies on outsiders.

Up to this point, I have focused on the economic importance of local state corporatism, but its importance goes beyond the economy. Local state corporatism may provide China with an alternative to the pains of privatization and regime collapse experienced by the Eastern bloc countries and the Soviet Union. Local state corporatism has provided China with a relatively nonthreatening alternative economic system that allows for strong local state intervention. Communist party officials can play a leading economic as well as political role. In most of the localities where I have done fieldwork, it is the local party bosses—the first party secretaries of the county, township, or village—who are at the helm of the drive for economic development. Party secretaries are involved most intimately with the development of rural collective industry, leaving other matters to their subordinates or to their counterparts in the administrative portion of government. This is especially so in villages, where the village party secretary oversees industry while the village head is responsible for agriculture. Many a village party secretary also serves as the chairman of the board of directors of the village industrial corporation the body established in some villages to oversee village industry. It is

ɪerhaps this aspect of local state corporatism that best explains why local fficials in China, unlike those in the Soviet Union, have embraced ather than resisted economic reforms. For Chinese local officials, both arty and nonparty, the reforms could be achieved without any real ɪreat to their power.

No simple, direct correlation exists between decollectivization, market :form, and the power of local officials in China. The Chinese experience as shown that some local governments have been weakened by the re- ɔrms, whereas others have been strengthened. The key variable seems ɔ be the sources of income in a village, specifically the degree of local ɪdustrialization after the adoption of the household-responsibility sys- :m. Local governments that control only an agricultural, particularly a rain-based, economy are left with few options other than to levy ad hoc ɪrcharges and various other fees and penalties, which the Chinese press ften refers to as "increasing the peasant burden." Local governments ɪat have continued to be strong and effective have developed nonagri- ultural sources of income that accrue directly to local government. The igher the level of industrialization, the more likely that local govern- ɪent will act in a corporate manner to intervene, extract, and redistrib- te income.[78] Carrying out economic reform and pursuing growth hold ɪe potential of strengthening, not weakening, local official power.

Local state corporatism is also a path of least resistance because it al- ɔws China, a country socialized in the doctrines of Marxism-Leninism ɪao Zedong Thought, to maintain its old values. As I have elaborated n elsewhere,[79] the income from rural industry has allowed local govern- ɪents to redistribute substantial amounts of money to its members in the ɔrm of various subsidies, including grain subsidies and subsidies for ed- cation, health care, old-age pensions, and housing. In addition, local ·ate corporatism allows local officials to be not just businessmen but also verseers of community well-being. And furthermore, it allows local of- cials to take social need into consideration when making economic de- isions; the profitability of an enterprise may not be the most important ɪctor in determining whether it will remain in operation. The need to mploy the surplus labor released by decollectivization may make it eco-

[78] Writing shortly after the reforms started, Kathleen Hartford points to the general need ɪr cadres to increase their control over finances if they are to keep the collective alive and ɪeir power strong. See Hartford, "Socialist Agricultural Is Dead: Long Live Socialist Ag- culture! Organizational Transformations in Rural China," in Elizabeth J. Perry and Chris- ne Wong, eds., *The Political Economy of Reform in Post-Mao China*, Contemporary China :ries, no. 2 (Cambridge: Council on East Asian Studies, Harvard University, 1985).

[79] Oi (fn. 43).

nomically rational for villages to keep open an unprofitable fact
One can wonder how efficient this growth will be over the long t
but at least in the medium term the emergence of local state corpora
allows the redistribution of income to remain an established and vi
part of economic life in China's rural communities.

Local state corporatism holds the most threatening consequences central-local relations.[81] The issue is how the pursuit of local intere conflicts with larger national concerns. Withholding of income and ma nipulation of tax revenues are only two examples of how the fiscal re forms have colored the way that central directives are implemented a the local level. More generally, the fiscal reforms have given local authorities access to and the ability to increase their resource endowments, to be used however they wish, regardless of constraints imposed by the center. The Chinese reforms have invigorated the economy, but the success of local state corporatism may in the long run force the emergence of something akin to a federal system that more clearly recognizes the rights and power of localities.

[80] China Interview 8691.
[81] See Oi (fn. 70).

DEHIO, LONG CYCLES, AND THE GEOHISTORICAL CONTEXT OF STRUCTURAL TRANSITION

By WILLIAM R. THOMPSON*

ONE of the more vigorous areas of inquiry within international relations today focuses on the rise and decline of major powers, the tiology of systemic power concentration/deconcentration, and the wars hat punctuate the periodic major redistribution of power. To explain hese changes and transitions in the international hierarchy, one needs heories of the underlying processes and a historical interpretation of ıow those key processes unfolded over time. The revival of interest in hese phenomena has yielded various theories and historical scripts,[1] each which comes with a menu of distinctive assumptions, a set of theoretal strengths and liabilities, and a group of adherents and critics. As no ıe interpretation has managed to achieve intellectual hegemony, per-

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[1] Speculation on these questions and their interrelationships is certainly not novel. The odern study of international relations was inaugurated by late-nineteenth- and early-twen-th-century geopoliticians, most notably Mahan and Mackinder, and the critics of imperiısm, such as Hobson and Lenin. Both schools of thought were responding to the structural ıanges that their authors were experiencing, most conspicuously, the decline of Britain and e ascent of Germany and the United States. Similarly, the contemporary revival of interest questions of macrostructural change comes in response to another round of perceived ›wer deconcentration. Some recent examples include Robert Gilpin, *War and Change in 'orld Politics* (Cambridge: Cambridge University Press, 1981); Immanuel Wallerstein, *The ›litics of the World Economy* (Cambridge: Cambridge University Press, 1984); George Mo-:lski, *Long Cycles in World Politics* (Seattle: University of Washington Press, 1987); Paul ennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987); William . Thompson, *On Global War: Historical-Structural Approaches to World Politics* (Columbia: niversity of South Carolina Press, 1988); Joshua S. Goldstein, *Long Cycles: Prosperity and 'ar in the Modern Age* (New Haven: Yale University Press, 1988); Christopher Chase-Dunn, *lobal Formation: Structures of the World-Economy* (Cambridge, Mass.: Basil Blackwell, 189); Jacek Kugler and A. F. K. Organski, "The Power Transition: A Retrospective and ospective Evaluation," in Manus Midlarsky, ed., *Handbook of War Studies* (Boston, Mass.: nwin Hyman, 1989); Manus Midlarsky, "Hierarchical Equilibria and the Long-Run Instality in Multipolar Systems," in Midlarsky; Joseph S. Nye, Jr., *Bound to Lead: The Changing ature of American Power* (New York: Basic Books, 1990); David P. Rapkin, ed., *World adership and Hegemony* (Boulder, Colo.: Lynne Rienner, 1990); and Charles F. Doran, *stems in Crisis: New Imperatives of High Politics at Century's End* (Cambridge: Cambridge niversity Press, 1991).

haps some synthesis and borrowing might yield a new theory that duces the weaknesses and blind spots that characterize each framew

A case in point is the analysis of leadership long cycles.[2] One of more salient features of this approach to macrostructural change is emphasis on sea power and sea powers. It is also one of the more popul targets of criticism. How can a theory of macrostructural change th focuses on fewer than half of history's major power elite groups expe to explain, among other things, wars fought between and among botl sea powers and land powers? Furthermore, is one to consign to theoretical oblivion such states as Ottoman Turkey, Hapsburg Spain, France, Sweden, Prussia, Austria, and Russia—most of which did not have any substantial or persistent interest in bluewater sea power?

Some critics have dismissed leadership long-cycle theory as a fundamental misinterpretation of the very behavior it seeks to explain. However one views the utility of emphasizing sea power, it is fair to say that leadership long-cycle theory could be made more robust if it also dealt more explicitly with the non–sea power portion of the world system's elite population. One way to expand the original theory in this way involves co-opting another theoretical structure—Ludwig Dehio's geohistorical interpretation of European international politics.[3] Where Dehio highlights the cyclical interaction of conflicting land and sea powers within a primarily *regional* focus, the leadership long-cycle theory focuses on the cyclical interaction of conflicting land and sea powers primarily within the context of the *global* political economy. Despite or due to the different yet overlapping biases, the two theories are highly compatible and can be readily integrated to create a stronger argument than either one can offer in isolation.

A brief overview of Dehio's interpretation of international politic since 1494 is provided as a foundation for evaluating three of his mos important generalizations in the light of data on continental (land) an maritime (sea) powers.[4] Of particular interest is Dehio's assertion tha

[2] See Modelski (fn. 1); George Modelski and William R. Thompson, *Seapower and Glob Politics, 1494–1993* (Seattle: University of Washington Press, 1988); George Modelski an Sylvia Modelski, *Documenting Global Leadership* (Seattle: University of Washington Pres 1988); and Thompson (fn. 1).

[3] Dehio, *The Precarious Balance: Four Centuries of the European Power Struggle*, trar Charles Fullman (New York: Vintage Books, 1962).

[4] It might be argued that there is no need to outline what some scholars already regard a classic analysis of international relations. It seems more realistic to assume, however, th familiarity with Dehio's specific arguments is actually quite uneven. And for all the citatior homage Dehio's work may receive as an exemplar of the balance-of-power tradition, ve few contemporary analyses actually adopt similar interpretations. One exception is He Houweling and Jan G. Siccama, *Studies of War* (Dordrecht, The Netherlands: Martir Nijhoff, 1988), 177–209.

re existed a long wave of continental power concentration at the Eu-pean regional level that interacted with maritime power concentration. eadership long-cycle analysis has already demonstrated the existence of long wave of sea power concentration at the global political economy evel.[5] If Dehio's key argument is also empirically supported, the pattern of interaction between these two waves and its implications will provide the basis for a robust theoretical synthesis.

Dehio's Interpretation of Historical World Politics: The Basic Principles

'he crux of Dehio's interpretation of world politics is associated with his ›ntention that if Europe had been a closed system, some great power ould eventually have succeeded in establishing absolute supremacy /er the other states in the region.[6] But the system was never entirely osed. Immediately before a would-be continental hegemon could unify ıe European region by coercion, counterweights on the eastern and/or estern wings of the Continent emerged to deny a hegemonic victory by ıtroducing new, extraregional resources into the struggle for regional supremacy. The eastern wing supplied brute land force commanded by some form of "oriental despotism." The western wing specialized in sea power, which was closely associated with its assumption of the principal commercial intermediary role between Europe and Asia and America. When both eastern and western counterweights operated simulta-ıeously, they forced the aspiring regional hegemon to fight a resource-draining war on two fronts. The outcome was an intermittently renewed

[5] See Modelski and Thompson (fn. 2); and William R. Thompson and Karen A. Rasler, 'War and Systemic Capability Reconcentration," *Journal of Conflict Resolution* 32 (June 1988).

[6] Dehio (1888–1963) was a German historian, archivist, and archival administrator whose rofessional career spanned the period from the early 1920s to the mid-1950s. He developed ıs historical interpretation in response to mainstream German historians who he felt had eriously misread Germany's situation, especially prior to World War I, and thereby contrib-ted to the German defeat in both wars. Very briefly, Dehio felt that the basic errror was the ssumption that Germany could attempt to improve its relative standing as a world power ithout being seen as an acute threat by British decision makers. This assumption, Dehio rgued, stemmed from a tendency to view world politics as if it functioned along the same nes as continental or regional balancing politics when, indeed, the two spheres operated on ifferent principles. Dehio (fn. 3) attempted to spell out just what the rules of the world ame had been in the 1494–1945 era. A second book requires some familiarity with the 1962 ook and can be misleading because it focuses almost exclusively on late-nineteenth- and rly-twentieth-century German foreign policy. Dehio did not view these policies as fully omorphic with the activities of earlier aspirants to regional hegemony. The concerns of the cond book also lead to an emphasis on the significance of the opposing maritime coalition the expense of discussing the historical role of the eastern flank. See Dehio, *Germany and orld Politics in the Twentieth Century*, trans. Dieter Persner (New York: W. W. Norton, 67).

balance of European power as the regional system was opened to extraregional resources controlled by states on the region's main flanks. The intermittency of the balancing dynamic depended on a periodic concentration of strength on land in the form of an aspiring regional hegemon.

France made the first bid for regional supremacy in 1494, by attacking Italy. It was resisted by Spain and then, briefly, by a unified Hapsburg entity led by Charles V. The second bid, this time in the name of Hapsburg regional hegemony, was stopped by a Franco-Ottoman coalition prior to the emergence of a functioning western maritime flank. Working in conjunction with the English, the Netherlands became the first western counterweight to Spain's bid for continental supremacy under Philip II.

By the middle of the seventeenth century Spain had yielded its status as a primary continental power to a reascending France. Louis XIV's activities of the late seventeenth century ultimately threatened both the continental and the maritime spheres. Another Anglo-Dutch coalition organized the first large-scale maritime encirclement of the Continent and defeated the navy of the leading continental power at La Hogue in 1692. In the trough between La Hogue and Trafalgar (1805), the declining strength of the French kept the mid-century (1740s–80s) Anglo-French fighting from turning into a struggle over either continental or maritime supremacy.

The Spanish and first French ascents to continental domination and their subsequent declines were gradual, drawn-out affairs. The second French ascent, in 1792, "reared up abruptly out of the uttermost depths of the trough, only to crash down with equal abruptness."[7] Russo-British probing and sparring along the Asian-Balkan imperial perimeter followed the exhaustion of Napoleonic France. The Russian forward momentum, frequently tentative in nature, was repeatedly checked by British containment strategies.

From Dehio's perspective, the ascending Germany of the late nine teenth century was seeking equality with other leading powers (rathe than European supremacy) and an acceleration of Britain's relative eco nomic decline. In response to a combination of commercial and nava rivalries and geographical proximity, Britain, in turn, identified Ger many as its primary threat. The strategic circumstances of World War combat then encouraged Germany to operate as if it were indeed seekin regional supremacy. By the Second World War, both Germany and Ja pan had become more overt and ambitious in their assault on the stat

[7] Dehio (fn. 3), 139.

quo. The end of the war brought the territorial division of the losing European challenger as well as the division of the entire region into American and Soviet spheres. In the process, the European system of states and the distinctive modes of behavior associated with its functioning came to an end in 1945.

Dehio identified the principal dynamic of this system as the movement from a peak in the strength of the leading continental powers through a long trough to the next peak and so on. The long troughs were characterized by a leveling process: the continental power that had earlier peaked was in gradual decline while one or more other states were likely to be on the ascent. During these troughs, relative power relationships were unstable and in flux, making realignments likely. As phases of least likely resistance, the troughs provided windows of opportunity for the emergence of new land powers, and upwardly mobile aspirants were encouraged to "break through the dead weight of the status quo." Finally, Dehio contended, the strength of the western sea powers should be most concentrated during the continental troughs.

Thus, Dehio's interpretation emphasizes the rhythms of two ongoing and dissynchronized cycles, or waves, centered on two very different types of major powers: on land, the leading continental power rose and declined; at sea, the leading commercial intermediary and sea power rose and declined. For the most part, the one was in decline as the other was peaking and vice versa.

Not only were the relative power trajectories of continental and sea powers dissynchronized with one another, but they also built and maintained power in totally different ways. For their part, the continental powers were seen as rising to regional primacy on the basis of absolute monarchies, large armies and bureaucracies, and the variable success of foreign policy strategies. Proximate adversaries were beneficial to the extent that they provided a motivation for developing strength. In marked contrast, the maritime powers were successful in long-distance trade to the extent that they were able to restrain their monarchies, to develop large navies instead of large armies, and to substitute some element of democracy for bureaucratic government. Their security depended on geographical insularity or the absence of proximate adversaries. Some type of water barrier—marshes, rivers, dikes, channels, oceans—was needed to provide protection against predatory land powers.

As specialists in long-distance trade between different cultural regions, the maritime powers were primarily concerned with territorial and market expansion outside the European region; by contrast, the continental powers tended to be preoccupied with territorial expansion

within the region. Operating on entirely different strategic vectors, would seem that the interests of maritime and continental powers we not inherently likely to conflict, at least not on an ongoing basis: mar time powers had little interest in territorial expansion on the Continen and the continental powers were unlikely to set the cultivation of lon distance trade as their highest priority.

Collisions over conflicts of interest nevertheless occurred with impre sive regularity, with the implications of achieving regional supremacy the root of the problem. Once a continental power achieved region supremacy, it was in an excellent position to acquire supremacy in th realm of maritime, intercontinental trade—the quest for regional su premacy invariably led would-be hegemons to seek control over adjace sources of economic prosperity. Historically in Europe this meant attac ing either northern Italy (in the late fifteenth and early sixteenth cent ries) or the Low Countries. Successful expansion into these areas broug with it the promise of a quick fix for relative wealth standings as well significant improvements in maritime capabilities. Hence, there we strong incentives for the leading maritime power and would-be succe sors to prevent another power from achieving regional supremacy c hegemony because that could threaten their own sphere of activities, th global economy.

That would-be regional hegemons were not always fully cognizant c the maritime implications of their continental stratagems made occa sional conflict with the western maritime powers even more likely. Fu thermore, when the continental powers were explicitly interested i competing for control of long-distance trade, the potential for acute cor flict at the regional and global levels was even greater. By contrast, co lision between an aspiring regional hegemon and the counterweights o the eastern flank was dependent on the less subtle dynamics of mutuall timed interests in expansion into the same territories.

Therefore, an aspiring regional hegemon that moved to expand to ward the immediate north (the Low Countries) and toward the eas either simultaneously or sequentially, ran the risk of galvanizing resis tance on both flanks. Dehio suggests that regional hegemons repeatedl made this same strategic error. Rebuffed in an unsuccessful clash wit the western maritime power(s), continental powers would then attemp to compensate by attacking in the opposite direction. They doomed thei own efforts time and again by creating the geostrategic preconditions fo the extraregional intervention that would preserve the European balanc of power.

Compensatory behavior is not the most compelling explanation for

consistent pattern of strategic irrationality. However, Dehio pointed out that the maritime powers increasingly sought to contain hegemonic aspirants by encircling the European peninsula. If, however, the leading continental power could expand to the southeast successfully, it might deal with two strategic problems with one offensive push. The maritime containment strategy could be defeated by outflanking the naval encirclement via land while also evading "the Russian colossus." But to work, this scheme required regional supremacy, a tautological assumption: it could not very well be a successful strategy to achieve supremacy if supremacy was assumed to be a prerequisite to success. As a result, in misconstruing the grand strategies of the leading continental power, the aspiring hegemon often overextended itself and depleted its resources and energies.

In this fashion, the challenger to the regional and, potentially, the global status quo contributed to the maintenance of the regional balance of power by consistently developing strategies of attack that only increased the probability of failure. This sequence of events could not be repeated indefinitely: the tendency to draw in the flanking powers and their resources concealed an important hidden cost. Each successive iteration of the balancing process further diminished the amount of power resident within the European region relative to what could be mobilized outside it.

The European regional system of states therefore had a finite life. Born in a struggle that had extinguished the autonomy of an even smaller region and its prototypical predecessor (the Italian state system), it in turn was extinguished in another hegemonic struggle and replaced by a new, bipolar global system. Hence, the durability of the European regional system may have depended on a unique constellation of geohistorical factors. Would-be regional conquerors found themselves sandwiched between sea powers enriched by intercontinental trade on one flank and large reservoirs of military manpower on the other. Despite repeated attempts at achieving regional domination, challengers were unable to overwhelm the western and eastern flanks with their powerful resources. Simultaneously and equally consistently the continental strategies created to overcome these twin barriers to supremacy proved to be self-defeating. As a consequence, the European subsystem retained its basic pluralism and independence as long as it managed to maintain its central position in the larger system. Ultimately, however, the narrow regional stage came to be absorbed by the broader, global stage when the principal eastern and western flanking states divided the European region into their own spheres of influence.

Some Implications of Dehio's Perspective

Dehio's interpretation of world politics since the 1490s has implicatio for current theoretical assessments of international relations. First, it necessary to draw descriptive and theoretical distinctions between glob and regional theaters of action. Second, one must evaluate the empiric accuracy of some of Dehio's key generalizations. Third, assuming a sui able level of empirical corroboration, one can explore the possibility integrating the Dehio argument with leadership long-cycle theory.

Nongeneric International Relations

Underlying Dehio's distinctions between regional and global activities the idea that much of what we conventionally think of as modern, post-1500, world politics is not really world politics at all. Rather, it the regional politics of one particular subsystem, namely, Europe. Th is hardly a startling observation: many international relations analys would no doubt find such a statement noncontroversial. It is one thin to assume it, however, and quite another to acknowledge all its ramif cations.

The modal approach to this question is to acknowledge that betwee the sixteenth and nineteenth centuries the most significant internation actors tended to be European. The European subsystem dominated th rest of the world, and therefore it is European international relations th defines the immediate past history of contemporary world politic Granted, there are prime non-European candidates, such as the Ottoma Empire in the sixteenth century, that deserve consideration as sometim members of the most significant elite actor category. It is also importa to note that European dominance over the rest of the world was achieve only gradually. Despite these caveats, it is the image of European dom nance or, at least, centrality that fosters the assumption that the extern relations of the European great powers have been synonymous wit what might be called *generic international relations*—a notion that De hio's perspective implicitly rejects.

European international relations between 1494 and 1945 were in larg part the product of a uniquely configured regional context that feature intermittent interventions of extraregional resources by actors on the re gion's eastern and western flanks to defeat tendencies toward region unification. By contrast, international relations scholars are more like to interpret the balance-of-power mechanism as operating independen of a particular context, in which it is logical for the members of a st system to band together to prevent one of its members from achievi

egemony over the system. At best, some nod toward the specific Euro-ean context is made by creating a special role for the "balancer," a state ısually modeled on Britain) that is somewhat aloof from the fray yet lmost altruistically prepared to ensure that a balance is maintained by dding its resources to whatever side is necessary to achieve this func-onal goal.

Clearly, there is some inherent logic to a united front against a mutual ıreat. According to Dehio, however, the celebrated European balance wed less to the inherent logic, which seemed to escape the attention of number of European decision makers from time to time, and more to ea power on the western regional edge and those huge reservoirs of nanpower and territory on the eastern edge attempting to break into European politics for their own expansionary purposes. Presumably, an-ther regional system that lacked these twin geopolitical features either vould lack a history of (successful) power balancing or might have de-eloped an entirely different approach to the problem of preserving its ctors' autonomy.

To what extent, if at all, does the historical evidence lend credence to he Dehio interpretation? Fortunately, the central thrust of Dehio's per-pective is readily susceptible to empirical testing; and should it find am-ıle empirical support, its implications for other theoretical interpreta-ions will be all the more reinforced.

Testing the Dehio Interpretation

Dehio emphasized a central rhythm of regional politics predicated on he relative rise and decline of a leading continental power. He was quite pecific about the shapes of these waves. Spain gradually rose, peaked in 585, and then gradually declined. France gradually rose as well, bypass-ng Spain by 1659–61 and peaking in 1692, before beginning a long and radual decline in the eighteenth century. The second, revolutionary and Napoleonic rise of France was meteoric. Peaking just before another de-isive sea battle in 1805, its crash was equally abrupt. Dehio describes the ourth and final crest, Germany's in the first half of the twentieth cen-ury, as if it took place quite prematurely. Once war began, however, ircumstances encouraged Germany to seek regional domination. By ontrast, German aspirations in World War II adhered more closely to he historical pattern of regional domination. Unlike the earlier three ases, though, no decisive sea battle demarcated the apex of the German scent.

A four-crested wave of regional power concentration and domination, ith its delineation of peaks and troughs and waves of varying shapes,

certainly provides an explicit empirical focus. Yet Dehio's interpretatior offers even more, arguing that each successive, would-be conqueror wa: in a relatively weaker position than its predecessors had been to achieve its regional objectives.[8] He proposed a metaphorical explanation for thi: negative trend—that by the eighteenth century the "outer-regions o West and East [had begun] to rob the ancient central region of light and air." Put less metaphorically, the relative power potential of the European interior was diminishing as extra-European power potentials improved. Thus, we should expect the four-crested wave of regional powei concentration to have an observable negative slope that becomes particularly more noticeable after Louis XIV.

Finally, Dehio argued that western sea power was concentrated in the troughs of the continental power wave,[9] though with the qualification that this was a post-Louis XIV phenomenon. Since Dehio's troughs are fairly long, the precise timing of the alternation of the peaks of continental and sea power is less than exact. Still, the notion of alternating peaks is quite novel. Nor is it intuitively obvious. Sea powers might peak, for example, in the process of blocking continental powers that are also peaking. Alternatively, one might not anticipate any consistent relational pattern between concentrations of the two types of power.

Yet the pattern of alternation is fairly important to Dehio's interpretation, for sea power becomes increasingly important to his scheme after the sixteenth century. Further, he credits declining sea power with encouraging assaults on the status quo in the twentieth century. Although this factor clearly cannot be said to operate at constant strength from 1494 on, however, Dehio never made clear precisely when it became operative as an important feature.

In any event, the Dehio interpretation suggests at least three highly significant features that need to be examined empirically. We should expect to find a negatively sloped set of fluctuations in regional power distributions with four peaks—three of which are identified as occurring a 1585, 1692, and 1805. The first two waves should be gradual; the secon two should be abrupt. The fourth wave should probably be the mos difficult of the four to discern. And last, the concentration of sea powe at least after 1714, should occur somewhere in between the peaks in con tinental power.

There is already ample access to serial data on sea power concentra tion.[10] What is needed is a similar series for continental power distrib

[8] Ibid., 139.
[9] Ibid., 90.
[10] See Modelski and Thompson (fn. 2).

Fortunately, the concept of continental power does not require nation on all conceivable dimensions of capability. Nor does the pt imply that we need to be concerned about whether a continental r's influence attempts are successful or even executed.

:ontinental power is a state that organizes its resources, especially ucratic and military ones, to advance its territorial, economic, and ıty interests in its roughly immediate neighborhood. Thus, al- ;h continental powers may have some interest in sea power, their ıry orientation remains fixed on adjacent territorial concerns. One ts continental powers to have large armies and comparatively :r navies, just as one associates states that are primarily maritime large navies and small armies. Therefore, a primary emphasis on ɔping armies should suffice as an indicator for comparing the rela- .rength of continental powers.

e most direct and probably most time-honored way to measure ar- is to count personnel. Army size need not be correlated with effi- /, combat readiness, élan, or the general quality of the soldiers. Nor we assume that a large army can overwhelm a technologically su- ·, if less numerous, foe. Thus, army size is admittedly a crude in- ›r, but it does seem to correspond closely to the notion of continental r.

r the most part, Levy's guidelines on identifying great powers have followed: France (1490s–1945), England (1490s–1945), Austria ;–1918, with a break at 1520–55), Spain (1490s–1800, with Spain ıing the united Hapsburg identity between 1520 and 1555), the :rlands (1590s–1800), Sweden (1590s–1809), Russia/the Soviet ı (1700 on), Prussia/Germany (1640s–1945), and Italy (1860s– .[11] Data on non-European great powers (the United States, 1815 on; , 1870s–1945) are also included because of Dehio's emphasis on the ing significance of extra-European resources. In some cases the of inclusion and exclusion are broader than Levy's, in order to th the impact of states breaking into and falling out of the elite .[12]

:vitably, there is more information available for some armies than

:k S. Levy, *War in the Modern Great Power System, 1495–1975* (Lexington: University f Kentucky, 1983), 47.

lly notes that this type of Eurocentric bias overlooks large and powerful armies in west Africa, Persia, India, Mexico, and South America, especially in the fifteenth and th centuries. He is certainly right, but the current emphasis on Europe as a regional neutralizes the power of the criticism for this examination of Dehio's propositions. arles Tilly, *Coercion, Capital and European States, A.D. 990–1990* (Cambridge, Mass.: lackwell, 1990), 171.

for others. The worst case in terms of data is the Ottoman Empire, for which there is little specific information on army size. Indeed, on other grounds one could even argue against including the Ottoman army as an early extra-European resource, but the absence of data makes the issue moot anyway. In general, data availability improves after the sixteenth century and is best for the most prominent land powers (France and Prussia/Germany). The availability of data on states such as the Netherlands, Sweden, Austria, and Russia varies from period to period; there are, for example, periods for which there is very little information. In these cases extrapolation between known points is utilized when necessary; that is, barring bouts of warfare, army size is assumed to be fairly stable between the better-documented periods.

A last point: the limitations of the available information base simply preclude providing data for each year from the 1490s on. Rather, observations encompassing five-year intervals (for example, 1490–94, 1495–1500) are about the best that can be expected. And even the five-year unit can have its problems. If war breaks out toward the middle or the end of the interval, the half decade will likely reflect very different army sizes for the times before and after the mobilization. One must decide whether to record the highest army size or attempt to arrive at an average for the entire interval. Wherever possible, the choice was to average, on the grounds that an average is apt to be less misleading than the highest figure, which may be an accurate representation of only one year in the interval. The drawback of this approach is that the peak size of each national army is artificially depressed unless that peak is maintained throughout the five-year span. Since this downward bias holds equally for all states, however, it should not create any major problems for comparison purposes.[13]

Analyzing the Dehio Propositions

Figure 1 plots data for the first two of Dehio's propositions. The proportional army sizes of Spain, France, and Prussia/Germany are plotted for five-year intervals beginning in 1490–94 and ending in 1940–44. Information on Prussia prior to 1840 is not plotted, solely in order to aid in

[13] Some data on comparative army sizes had been reported earlier in Karen A. Rasler and William R. Thompson, *War and State Making: The Shaping of the Global Powers* (Boston, Mass.: Unwin and Hyman, 1989); and it has been used in William R. Thompson, "The Size of War, Structural and Geopolitical Contexts, and Theory Building/Testing," *International Interactions* 16, no. 2 (1990). However, these data were extracted from other army size inventories, and the quality of some of the earlier information turned out to be lower than anticipated in that some army sizes were overinflated. The preliminary information base was also missing a great deal of data. The current army size data collection is based on information culled from some 150 sources. The data and the sources utilized are reported in Karen A. Rasler and William R. Thompson, "The Growth of Armies" (Manuscript in progress).

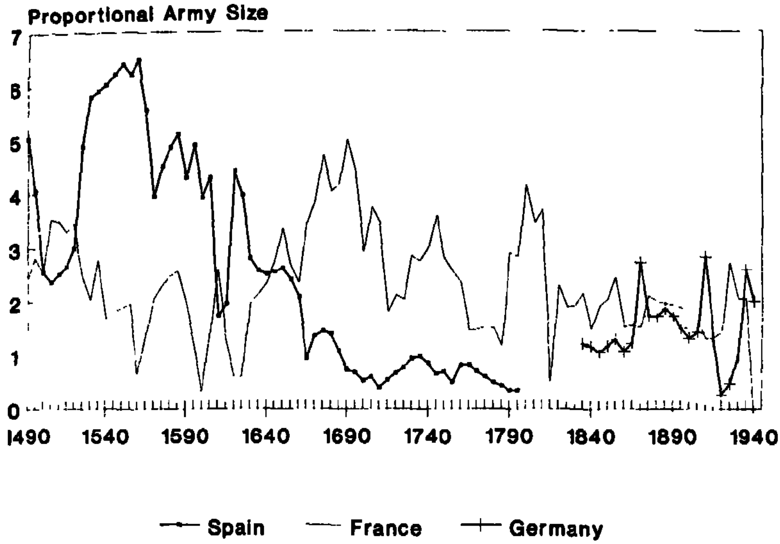


FIGURE 1
RISE AND DECLINE OF LEADING CONTINENTAL POWERS

erpreting the figure. We are looking for four crests at about Dehio's aks, with each successive peak lower than the one that preceded it. e first forty years plotted in the figure indicate some oscillation of ition between France and Spain with Spain's relative position defini- ly passing France's position in the first half of the 1530s.

The first peak in the series is reached in the late 1560s. Spanish decline n continued more or less through 1800. The rate of decline was slow il the early 1600s. What appears to be an early French passing in the rval 1610–14 actually reflects a short-term, rapid demobilization on part of the Spanish during the Dutch-Spanish truce of 1609–1621. nce's upward trajectory genuinely intercepts the Spanish downward ectory about 1645–49.

A second peak is discernible at 1690–94. It too is followed by a drawn- process of positionai decline. Whereas the Spanish decline essentially ved steadily downward, the equally prolonged French decline was rrupted by a rally in the mid-eighteenth century that peaked at 1745– This peak is, however, noticeably lower than the first French peak the last one at 1800–1804, in the midst of the French Revolutionary Napoleonic Wars. As predicted, the last French peak was abrupt brief.

The second half of the nineteenth century and the first half of the

TABLE 1
PEAKS AND TRANSITIONS IN CONTINENTAL POWER

Leading Continental Power	*Dehio Peak*[a]	*Observed Peak*[b]	*Dehio Transition*[a]	*Observed Transition*
Spain	1585	1560–64 (.649)	1659–61	1645–49
France I	1692	1690–94 (.484)	n.a.	n.a.
France II	1805	1800–1804 (.414)	not specified	1870–74
Germany	WWI/ WWII	1910–14 1935–39 (.282/.257)	n.a.	n.a.

[a] Dehio (1962) is the source of the peak and transition predictions.
[b] The numbers in parentheses represent the leading continental power's relative share of army capabilities.

twentieth century are characterized by an oscillation between France and Germany (see Figure 1). Germany first passed France, though not decisively in terms of relative army size, during the Franco-Prussian War (1870–71). German positional passage is depicted as occurring again in both of the world wars of the twentieth century. Not depicted in Figure 1 are the other major states both within and outside the region. Their inclusion would demonstrate that the positional rivalries of this period were more complex than the simpler Hapsburg-Valois feud and certainly more complicated than the continental seesaw between France and Germany isolated in Figure 1.

Nevertheless, Figure 1 illustrates a series of wavelike continental transitions that closely accords with the expectations set by the Dehio perspective. Although the proportional army size peaks do not always coincide with the predicted years, they do fall quite close (always within two decades) to the critical sea battles used by Dehio as peak markers. The identity of the states and the shapes of their waves are predicted well. So, too, is the negative trend in the height of the wave peaks. Each successive peak identified in Table 1 reflects a smaller share of total army capability than the one preceding. Thus, Dehio's first two predictions are strongly supported fluctuations in continental power as measured by army size.

Figure 2 is useful for evaluating the third Dehio prediction of alternating concentrations in continental and sea power after 1714. To clarify the outcome of the test, three chronological series—two for continental

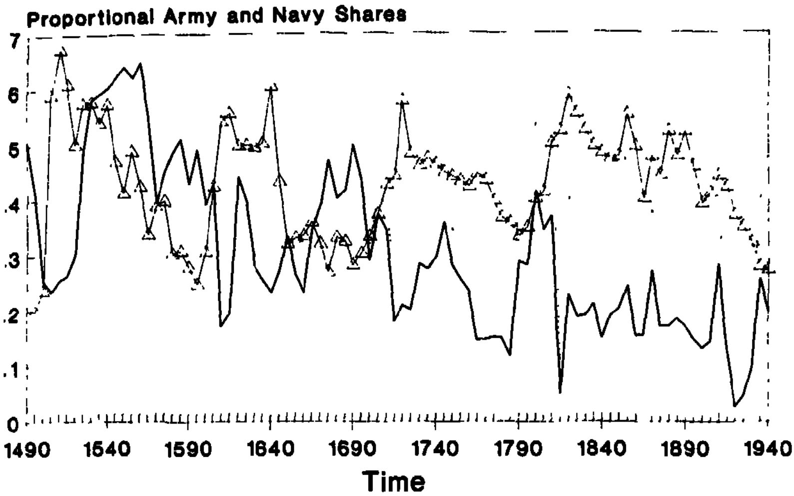


FIGURE 2
POWER CONCENTRATION

power and one for sea power—are plotted in Figure 2. The main continental power series splices together the Spanish series (1490s–1630s), the French series (1640s–1860s), and the German series (1870s–1940s). The proportional shares for these states are based on an aggregate of all of the information on army size. This series is the one most likely to exhibit Dehio's negative trend in successive continental power peaks. A second continental power series, indicated by a dotted line, focuses on the distribution of continental power within the region by removing information on Russia/the Soviet Union, the United States, and Japan.

The sea power series is based on data collected and analyzed earlier.[14] The principal focus is on the distribution of capital or first-line warships, the specific criteria for which are modified to reflect changes in naval technology and armament standards.[15] This series splices together the

[14] Modelski and Thompson (fn. 2).

[15] The data on distribution of naval power reflect changes in indicator emphases keyed to pertinent technological changes. The focus between 1494 and 1654 is on state-owned, armed oceangoing vessels. Over the next two centuries, from 1655 to 1859, the focus is on the number of ships of the line that qualify as front-line fighting vessels, as defined by their carrying (escalating) minimum number of guns. First-class battleships, also determined by increasing minimal size attributes (guns, armor, and so forth), are counted between 1860 and 1945. Another series on naval expenditures (1816–1945) is factored in to smooth some of the abrupt technological changes that occurred in the nineteenth and twentieth centuries. After 1945 the

naval power proportions controlled by each century's leading maritime power—the Portuguese (1490s–1575), the Dutch (1580–1675), and the British (1680–1945).

Figure 2 depicts four waves for each of the three series. A Portuguese sea power wave crested first in the early 1500s and was overlapped by the Spanish continental power crest of the mid-1500s. The Dutch sea power peak occurred about 1615, or about six decades after the Spanish continental peak. The Spanish remobilized their troop strength for the Thirty Years' War but failed to alter their essentially downward trajectory.

The French relative continental position peaked in the 1690s, some six decades after the Dutch maritime peak. This was followed by the first British sea power peak, in 1720, certainly a time of trough for continental power concentration. Skipping over the moderate French rally of the mid-eighteenth century, the next two waves occurred close together. A continental power peak of the early 1800s in the main series barely rises above the naval concentration series that peaks two decades later, in the 1820s. Only in the European continental power series is the peak of 1800–1804 more respectable.

After a prolonged period of gradual decline in maritime capability concentration, the twin German crests of the twentieth century in the main series failed to surpass or even meet the declining British position at sea. The European series shows a similar peak for World War I. The World War II peak in the European continental series, however, more closely resembles the Spanish and French peaks observed earlier in the continental series. Although not depicted in Figure 2, a fifth sea power concentration peak, based on the United States lead after World War II, coincided with the German collapse.

Taken together, then, the navy and army distribution data, however conceptualized, strongly support Dehio's third proposition: the rhythms of continental and sea power are not in phase with one another. Rather, a general pattern of alternation more or less characterizes the entire period. After the first pair of Iberian waves, sea power concentration occurred immediately after the defeat of the hegemonic aspirations of the leading continental power. After a period of maritime power decay, a new continental source of threat emerged and the process repeated itself. Hence, while the continental and sea power concentration peaks do not coincide, this finding does not mean that the timing of the respective serial peaks is unrelated. A continental threat appears to have encou

criteria shift to incorporate attack aircraft carriers, nuclear attack submarines, and sea-bas missile accuracy and megatonnage.

aged maritime power concentration; maritime power deconcentration, in turn, appears to have encouraged continental power challenges.[16] The only element of Dehio's argument that is not supported is his qualifier about Louis XIV. The data suggest that this alternation pattern preceded the demise of Louis XIV by one hundred years.

Dehio's Interpretation and the Leadership Long-Cycle Approach to the Study of War and Structural Change

Dehio's interpretation, predicated on a unique geohistorical approach, has yielded several strongly supported and reasonably novel generalizations about the historical evolution of what we frequently but not always correctly refer to as world politics. Is Dehio's approach worth co-opting to elaborate or modify more recently developed and still developing frameworks?

Of the several alternative approaches to the relationships between structural change and war, Dehio's interpretation is most compatible with the leadership long-cycle framework. The two approaches are also highly complementary: while they share some common denominators, each emphasizes some features that are less emphasized by the other approach. Thus, the two perspectives can be enhanced by a merger of their central premises.[17]

Integrating the Dehio and Leadership Long-Cycle Perspectives

The leadership long-cycle perspective argues that a global system began to emerge in the 1490s, after the Portuguese began to follow a new route for Eurasian trade. The governance of global politics, focusing primarily on the management of long-distance trade, is intermittent and dependent on the concentration of capabilities of global reach. One state, designated the world power, emerges from periods of global war in a position of preeminence and with a commanding lead in these global reach

[16] One anonymous reviewer has suggested that it is odd that alternating cycles should have been more conducive to European balancing than synchronous cycles in which one type of power would have been readily available to match or balance the other type. Although synchronization seems more logical, one's view of the European alternations depends on how one interprets the pattern. Thus, the pattern might better be labeled "synchronized alternation" if one emphasizes the tendency for declining sea power to encourage ascending land power, which, in turn, leads to a reconcentration of sea power in order to suppress the continental threat.

[17] Goldstein (fn. 1), 127, briefly hints that the two perspectives can be combined. However, some less direct integration of perspectives had already taken place. For example, Dehio's arguments strongly influenced the arguments about global warfare advanced in William R. Thompson, "Succession Crises in the Global Political System: A Test of the Transitional Model," in Albert Bergesen, ed., *Crises in the World-System* (Beverly Hills, Calif.: Sage, 1983).

naval power proportions controlled by each century's leading mariti power—the Portuguese (1490s–1575), the Dutch (1580–1675), and t British (1680–1945).

Figure 2 depicts four waves for each of the three series. A Portugues sea power wave crested first in the early 1500s and was overlapped b the Spanish continental power crest of the mid-1500s. The Dutch sea power peak occurred about 1615, or about six decades after the Spanish continental peak. The Spanish remobilized their troop strength for the Thirty Years' War but failed to alter their essentially downward trajectory.

The French relative continental position peaked in the 1690s, some six decades after the Dutch maritime peak. This was followed by the first British sea power peak, in 1720, certainly a time of trough for continental power concentration. Skipping over the moderate French rally of the mid-eighteenth century, the next two waves occurred close together. A continental power peak of the early 1800s in the main series barely rises above the naval concentration series that peaks two decades later, in the 1820s. Only in the European continental power series is the peak of 1800–1804 more respectable.

After a prolonged period of gradual decline in maritime capability concentration, the twin German crests of the twentieth century in the main series failed to surpass or even meet the declining British position at sea. The European series shows a similar peak for World War I. The World War II peak in the European continental series, however, more closely resembles the Spanish and French peaks observed earlier in the continental series. Although not depicted in Figure 2, a fifth sea power concentration peak, based on the United States lead after World War II, coincided with the German collapse.

Taken together, then, the navy and army distribution data, however conceptualized, strongly support Dehio's third proposition: the rhythms of continental and sea power are not in phase with one another. Rather, a general pattern of alternation more or less characterizes the entire period. After the first pair of Iberian waves, sea power concentration occurred immediately after the defeat of the hegemonic aspirations of the leading continental power. After a period of maritime power decay, a new continental source of threat emerged and the process repeated itself. Hence, while the continental and sea power concentration peaks do not coincide, this finding does not mean that the timing of the respective serial peaks is unrelated. A continental threat appears to have encour-

criteria shift to incorporate attack aircraft carriers, nuclear attack submarines, and sea-based missile accuracy and megatonnage.

aged maritime power concentration; maritime power deconcentration *in turn, appears to have encouraged continental power challenges.*[16] *Th only element of Dehio's argument that is not supported is his qualifie about Louis XIV. The data suggest that this alternation pattern preceded he demise of Louis XIV by one hundred years.*

Dehio's Interpretation and the Leadership Long-Cycle Approach to the Study of War and Structural Change

Dehio's interpretation, predicated on a unique geohistorical approach, has yielded several strongly supported and reasonably novel generalizations about the historical evolution of what we frequently but not always correctly refer to as world politics. Is Dehio's approach worth co-opting to elaborate or modify more recently developed and still developing frameworks?

Of the several alternative approaches to the relationships between structural change and war, Dehio's interpretation is most compatible with the leadership long-cycle framework. The two approaches are also highly complementary: while they share some common denominators, each emphasizes some features that are less emphasized by the other approach. Thus, the two perspectives can be enhanced by a merger of their central premises.[17]

Integrating the Dehio and Leadership Long-Cycle Perspectives

The leadership long-cycle perspective argues that a global system began to emerge in the 1490s, after the Portuguese began to follow a new route for Eurasian trade. The governance of global politics, focusing primarily on the management of long-distance trade, is intermittent and dependent on the concentration of capabilities of global reach. One state, designated the world power, emerges from periods of global war in a position of preeminence and with a commanding lead in these global reach

[16] One anonymous reviewer has suggested that it is odd that alternating cycles should have been more conducive to European balancing than synchronous cycles in which one type of power would have been readily available to match or balance the other type. Although synchronization seems more logical, one's view of the European alternations depends on how one interprets the pattern. Thus, the pattern might better be labeled "synchronized alternation" if one emphasizes the tendency for declining sea power to encourage ascending land power, which, in turn, leads to a reconcentration of sea power in order to suppress the continental threat.

[17] Goldstein (fn. 1), 127, briefly hints that the two perspectives can be combined. However, some less direct integration of perspectives had already taken place. For example, Dehio's arguments strongly influenced the arguments about global warfare advanced in William R. Thompson, "Succession Crises in the Global Political System: A Test of the Transitional Model," in Albert Bergesen, ed., *Crises in the World-System* (Beverly Hills, Calif.: Sage, 1983).

capabilities. The ability to pay for those capabilities is predicated in large part on leadership in a prewar wave of economic innovation. Winning the global war and controlling a high proportion of the most valuable capabilities then enables the world power to develop policies for the management of the world's political economy. As the leader's capability position erodes over time, so, too, does its ability to supply global governance.

Naval power and leading-sector economic innovation are two of the more important capabilities for achieving global reach. Naval power (and, more recently, aerospace power) has been necessary to move force over long distances, to protect long-distance trade, and to deny challengers access to the more important sea-lanes. Leading-sector innovation has been critical for fueling economic growth, developing elite interests in trade and global orientations, and generating economic surplus to pay for the naval power and efforts to manage global political problems. Since naval power tends to decay and leading-sector innovations cluster in time and space, however, they are subject to long waves of prosperity and depression.[18]

The timing of the ascent of the world power and of its relative decline basically determines the rhythm of the long cycle of global leadership. A period of postwar leadership gives way to deconcentration and deteriorating order. Challengers emerge and become stronger. The most dangerous challenger tends to be a hybrid power with mixed strategic orientations: primarily a land power with continental aspirations, it also makes some effort to acquire sea power. There begin to emerge signs of a nascent global strategic orientation, usually in direct conflict with the more traditional, local preoccupations. Others view a victory in dominating the European continent as a first step or worse to a more direct threat to the leadership, rules, and order of the global political economy. Yet another round of global war ensues to decide once again who will determine policy for the global system.

The common denominators of the Dehio and leadership long-cycle frameworks are a historical interest in systemic processes that began in 1494. Both emphasize, too, sea power and the early development of an extra-European global political economy in which maritime powers

[18] This point is developed further in William R. Thompson, "Long Waves, Technological Innovation and Relative Decline," *International Organization* 44 (Spring 1990); idem, "Systemic Leadership and Economic Growth Waves in the Long Run," *International Studies Quarterly* 36 (March 1992); and George Modelski and William R. Thompson, "K-Waves in International Relations: Structural Change in the Global Economy and World Politics" (Paper presented at the annual meeting of the International Studies Association, Atlanta, Ga., April 1992).

were dominant, as well as the importance of regional/global rivalries between continental powers and maritime powers for understanding the outbreak of global war.[19] Finally, both stress waves of power concentration as a key to deciphering the evolution of structural change.

Perhaps the most frequent and serious objection to leadership long-cycle analyses is that bestowing primacy on sea power tends to divide the major powers into two classes: those with and those without (any or much) sea power. Then to focus exclusively on the former class at the expense of the latter artificially truncates the whole of international politics and thereby ignores much of what is customarily considered important to an understanding of international politics.[20]

Yet what is often overlooked by such criticisms is that the Dehio perspective and that of the leadership long cycle share a particularly strong appreciation of the need to distinguish between the regional politics of Europe and the politics of the transoceanic political economy. Dehio emphasized the dynamics of the region and its intermittent interaction with the transoceanic political economy as a major source of extraregional resources. Leadership long cyclists have reversed the emphasis, to stress *the dynamics of the transoceanic political economy and its intermittent interaction* with the European region as a source of threat to the governing of the long-distance economy.

Sea power has been a sine qua non for participation in the transoceanic system. It was also essential for containing threatening continental powers within Europe. These are two of the most basic reasons for stressing the significance of sea power in both the Dehio and the leadership long-

[19] Modelski and Thompson (fn. 2) express appreciation for the role of critical sea battles; and Rasler and Thompson (fn. 13) demonstrate a strong interest in the maritime/continental power distinction. On the other hand, there is some divergence on the interpretation of Portugal's role. Dehio recognized Portugal's assumption of the role of Eurasian intermediary in the sixteenth century but argued that the lack of insularity prevented Portugal from enjoying much autonomy from its Iberian neighbor, Spain. This position is difficult to sustain. If it had been true prior to 1580, it is doubtful that the clear distinction between Portuguese and Spanish territorial acquisitions in Asia and America would have persisted throughout the fifteenth and sixteenth centuries as well as during the sixty-year Spanish absorption of Portugal. Spain's difficulties in breaking into the Asian spice trade in the sixteenth century are also difficult to explain if one regards Portugal as subordinated to Spain prior to 1580. There is agreement, however, that Portugal failed to assume the western flanking role.

[20] This type of observation is commonly encountered in such critiques as Aristide R. Zolberg, " 'World' and 'System': A Misalliance," in William R. Thompson, ed., *Contending Approaches to World System Analysis* (Beverly Hills, Calif.: Sage, 1983); Jack S. Levy, "Theories of General War," *World Politics* 37 (April 1985); idem, "Long Cycles, Hegemonic Transitions and the Long Peace," in Charles W. Kegley, Jr., ed., *The Long Postwar Peace* (Glenview, Ill.: Scott Foresman, 1991); Richard Rosecrance, "Long Cycle Theory and International Relations," *International Organization* 41 (Spring 1987); Charles F. Doran, "Power Cycle Theory of Systems Structure and Stability: Commonalities and Complementarities," in Midlarsky (fn. 1); Joseph S. Nye, Jr., "The Changing Nature of World Powers," *Political Science Quarterly* 105 (Summer 1990).

cycle frameworks. But Dehio's framework serves as a reminder that can be theoretically beneficial to take account of the nonmaritime worl Combining Dehio's regional dynamics (essentially continental pow concentration countered by extraregional flankers) with the global d namics of the leadership long cycle (essentially maritime power concer tration processes fueled by long growth waves and punctuated by glob wars) yields a stronger explanation than one gets when only one of th dynamics is stressed.

The combined explanation also comes across in a more explicit fash ion. For instance, Dehio discussed sea powers, and leadership long cy clists discuss continental powers; but both frameworks do a better job talking about the other type of actor. Almost by default, depending o which level of analysis is stressed, continental powers appear to be shac owy spoilers in the global political economy just as sea powers might b viewed as intermittent intruders into the European region. Neither im age is completely off the mark, but elaborating on both simultaneousl yields a more comprehensive representation.

Critics of leadership long-cycle analyses also object to assigning signi icance to some major power wars and not to others on the basis whether the postwar level of power concentration is fundamentally al tered.[21] How, they ask, can one downgrade such well known majo power wars as the Thirty Years' War, the War of Austrian Successio or the Seven Years' War?[22] Presumably, these wars had the same poter tial for structural change as global wars. They pitted the same contende against one another. They involved most and sometimes all of the majo powers of their time. They were fought throughout the world. The were not even always separated from the global wars by all that man years.

If the losers had won or if the winners had won more decisively, migh not the structural outcome have been something other than more of th same? If so, why sacrifice the ability to explain the nature of a war structural outcome by stipulating that some wars are special because o their structural outcome? Even more cynically, it is sometimes suggeste that the cases of global war are given so much undue attention merely t salvage the predicted roughly hundred-year rhythm of world leade ship.[23] By implication, then, were any of the mid-century wars to be rec

[21] See Levy (fn. 20, 1985); and Thompson and Rasler (fn. 5).

[22] For strong appreciations of the historical and theoretical significance of the Thirt Years' War in international relations, see, among others, Charles F. Doran, *The Politics Assimilation: Hegemony and Its Aftermath* (Baltimore: Johns Hopkins University Press, 1971 Gilpin (fn. 1); Wallerstein (fn. 1); Goldstein (fn. 1); and Midlarsky (fn. 1).

[23] The five periods of global war highlighted in leadership long-cycle theory are 1494 1516, 1585–1608, 1688–1713, 1792–1815, and 1914–45.

gnized as equally important, the alleged symmetry of the cycle would e undermined.

Of course, the different approaches are not asking the same questions. eadership long-cycle analyses have not asked why some wars are more levastating than others or why some wars lead to a showdown while thers end in a draw. Instead, this school is most interested in whether hese wars follow any pattern that facilitates the reconcentration of global reach capabilities.

Dehio's argument, by contrast, provides a simple explanation of the esser consequences of the mid-century wars. It was a matter of bringing ogether the appropriate structural and, one should think, attitudinal ingredients. In the mid-seventeenth and mid-eighteenth centuries the leading continental powers were on downward trajectories, their perceived bility to challenge or threaten either the European or the global status quo not yet gone but certainly less than it once had been. Moreover, the nergies of the leading maritime power had not yet wound down sufficiently to encourage full-scale attacks on its seemingly increasingly vulnerable position. Put most simply, the necessary ingredients for a global var were missing. The critical element of a peaking, expanding continental power in a global environment of defensive, declining maritime ower was absent; as a consequence, less was perceived to be at stake in he mid-century wars.

In sum, Dehio's argument offers one explanation for the linkage beween regional and global politics and the consequent bouts of intense onflict when continental interests clash with maritime interests. Dehio's mphasis on the historical contingency of the European regional theater lso underscores the basic regional-global distinction and the need to lifferentiate continental powers from maritime powers. Dehio's argunent also implies, though less obviously, that continental powers delined as a consequence of exhausting their resource bases in two-front vars.

What then does the leadership long-cycle framework bring to the ooled undertaking? First, it provides the measurement of maritime oncentration and deconcentration that lends credence to the accuracy of Dehio's assessments. (See Figure 2.) Second, where Dehio's account lacks n explanation of why maritime power concentrates and then deconcenrates, leadership long-cycle analysts address that as a primary question lthough more work certainly needs to be done). An understanding of he long economic growth waves that fuel the rise and relative decline of he global system's leading economies appears to be crucial to explaining

the rhythms of the fluctuations in power concentration in the global political economy.[24]

Dehio predicted that peaks of sea power would occur in the troughs of continental power concentrations, but he left the point relatively underdeveloped. The observation takes on greater theoretical salience only when global and regional dynamics are given equal treatment. The global and regional dynamics are different and ostensibly driven by different motors. To fathom how the two sets of processes interact, one needs a better understanding of what both sets are about.

Another liability in stressing one set of processes at the expense of the other is evident in Dehio's concluding discussion of the "narrow stage," a concept that is not adequate for explaining the power dynamics of the post-1945 world. With the demise of the European system of states as a relatively autonomous regional subsystem, the old behavioral generalizations based on some 450 years of history were said not to apply any longer. Dehio's "narrow stage" had been swallowed up by the "broader stage." The principles that would provide the foundation for the broader stage did not seem clear, although Dehio noted that land power, in the form of Soviet technological advances in space, seemed to be triumphing over sea power. Sea power, in turn, was described as losing its traditional importance as the potential of air attacks reduced the protection provided by insulating bodies of water.[25] Similarly, it was said to be becom-

[24] The question of how and why maritime leaders experience relative decline has been addressed in William R. Thompson and Gary Zuk, "World Power and the Strategic Trap of Territorial Commitments," *International Studies Quarterly* 30 (September 1986); Karen A Rasler and William R. Thompson, "Longitudinal Change in Defense Burdens, Capital Formation and Economic Growth: The Systemic Leader Case," *Journal of Conflict Resolution* 32 (March 1988); Karen A. Rasler, "Spending, Deficits and Welfare Investment Tradeoffs: Cause or Effect of Leadership Decline?" in David P. Rapkin, ed., *World Leadership and Hegemony* (Boulder, Colo.: Lynne Rienner, 1990); George Modelski, "Global Leadership: End Game Scenarios," in Rapkin; Karen A. Rasler and William R. Thompson, "Technological Innovation, Capability Positional Shifts, and Systemic War," *Journal of Conflict Resolution* 35 (September 1991); idem, "Relative Decline and the Overconsumption-Underinvestment Hypothesis," *International Studies Quarterly* 35 (September 1991); idem, "Political-Economic Tradeoffs and British Relative Decline," in Steve Chan and Alex Mintz, eds., *Defense, Welfare and Growth* (London: Routledge, 1992); Thompson (fn. 18). A more comprehensive statement is currently in progress. However, the basic contention is that the relative decline of continental and maritime powers must be explained differently. As Dehio observed, continental powers exhaust themselves on the battlefield. Maritime powers may exhaust themselves militarily, too, but the roots of their relative decline have much more to do with failing to maintain their lead in technological innovation. This approach may appear to disagree with Kennedy's (fn. 1) well-known emphasis on imperial overstretch as a general explanation of great power decline. But in a 1990 letter to the author Kennedy acknowledged that a state's capacities and obligations logically can become imbalanced either by increasing its ends (as in intensive war participation) or by experiencing shrinking means (as in the loss of economic competitiveness) or both. He referred to the first type as the German variant and to the second type as the British variant. Thus, the amount of overlap in the two approaches to relative decline is in fact greater than might otherwise appear.

[25] The asserted ascendancy of land power over sea power after World War II is another issue on which leadership long-cycle analysis is not in agreement with the Dehio interpre

ng more difficult to exploit extra-European resources for the purposes of international politics. Even the current leading sea power, the United States, seemed to be abandoning the customary policies associated with nsular naval powers.

Some of these observations, products of overemphasizing the narrow tage, have simply not stood the test of time. Seen with an eye to the roader stage, which according to leadership long-cycle analysis began o emerge as early as the 1490s, the historical continuities of world politics appear more fundamental than are the novelties of the post-1945 ituation. From a Eurocentric, regional perspective, the main action has evolved around the transitions between the leading continental powers nd an aspiring hegemon caught between two flanks. Over time, the lanks grew so strong that they extinguished the power potential of the egional middle. But from a global perspective, the conflict action is foused on the transitions between the more globally oriented maritime owers and the periodic showdowns between some combination of the naritime and regionally based continental powers.

To be sure, the leading European continental powers were always nore of a hybrid than Dehio allowed. They possessed maritime/global apabilities and aspirations and thus were rivals of the leading maritime owers at the same time as they were expanding their regional territorial ontrol. Part of a more balanced account of their repeated defeats is that heir continental-maritime drives "wobbled."[26] This vacillation between he two strategic orientations without fully committing to either one roved fatal, because the global/maritime capabilities were never quite p to the demands placed upon them when the showdowns occurred.

The process of transition among the maritime/technologically innoative states is likely to continue. Indeed, this is what the debate about he relative decline of the United States is all about. The antagonisms nherent in the maritime/continental hybrid are likely to persist as well. Dehio's flanks may have outgrown the historical European milieu, but heir contrasting strategic orientations reproduced one of the more enuring dualisms of power in world politics.

Yet there is also a strong possibility that even Dehio's requiem for the uropean region was premature. There are actually three possibilities ere. (1) Nobody really predicted the extent of Soviet withdrawal from astern Europe. Dehio assumed the American-Soviet division of Europe

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n. This question has of course been debated in the geopolitics literature since at least ackinder's requiem for the Columbian epoch. See Halford J. Mackinder, "The Geographl Pivot of History," *Geographical Journal* 23 (1904).

26 The wobbling metaphor for hybrid powers is taken from Peter Padfield, *Tide of Emes: Decisive Naval Campaigns in the Rise of the West, 1481–1654* (London: Routledge and gan Paul, 1979).

was permanent. This was not the case, as one could already ji the Soviet position of the early 1990s. A parallel weakening of t States presence in Western Europe might well reverse Deh phors about the gradual crushing of Europe's power potential ahead a few decades, a reinvigorated Germany or a united Eur conceivably bring life back to Dehio's narrow stage. Moreovei likely that it would be the only narrow stage of consequence. by any means inevitable that the dynamics of European region would pick up where they were suspended in 1945, although tl if circumstances were right.

(2) Dehio's interpretation of the European narrow stage i have been too limited. It may make more sense to argue that t litical *idea* of Europe, as opposed to its more fixed geographica ries, expanded to incorporate some portion of the tradition. flank, Russia and the Soviet Union, just as it is now reincorpo traditional western flank, Britain. In this scenario the narrow not disappear but simply became wider. The Soviet Unio among other things, may be viewed as a European state, donn(assigned) the leading continental power mantle. A flanking coi policy certainly has persisted since the late 1940s. Is it all that i stretch to suggest China as an incipient eastern flank to an Eurasian version of the European region? The idea of a Chin terweight has certainly appealed to a number of Western deci: ers over the past fifty years or so.

(3) Finally, there is another possibility, which may be the m of the three. One of the disadvantages of a Eurocentric perspect by constantly reiterating the proper place-name of the region, i the basic structural process. Under some circumstances reg: global conflict patterns become fused, while at other times th somewhat insulated from one another. From the vantage of geographically neutral form, there is no reason to preclude a re; than Europe from developing a similar propensity for partici the fusion of regional and global conflicts.

The point here is not simply that regional conflicts may ha repercussions and vice versa. That point has been made many fore. Rather, the specific dynamic at issue is one of ascending, e regional powers threatening or challenging the political-econo tion of declining global powers. Egypt in the 1960s, Vietnam i 1970s, and Iraq in the early 1990s come to mind as examples with regional hegemonic aspirations. The behavior of each w; as threatening by the leading global power, as regional and gl

ict patterns became fused with variable outcomes. Nevertheless, none f these three cases seems to have a potential for conflict comparable to ıe historical disputes between the Dutch and the Spanish or the British nd the French. The gap between the capability positions of the main isputants is simply too large for the situation to be that dangerous.

If the pattern established in the modern (post-1494) European record still at work, states in Southeast Asia and the Middle East have yet to ttain sufficient capability levels or centrality to the operations of the lobal political economy to pose an acute threat to the global status quo. 'he East Asian region might, however, be another matter altogether. 'hus, one can envision a scenario that involves a declining maritime ower, an expanding, continentally oriented China, and threatened ankers located to the north and east of China. Given the appropriate ırcumstances, then, it might be possible to reproduce in an entirely new eographical setting the conjunction of regional-global factors that has roduced five rounds of global warfare over the last five centuries. It is t least something to keep in mind.

Conclusion

'he leadership long-cycle perspective, it is asserted, is broader, more am- itious, and patently more globalcentric than Dehio's highly useful in- :rpretation of European geohistorical politics. As an interactive conse- uence of its greater scope and its great compatibility with the terms of ıe regional interpretation, leadership long-cycle theory is quite capable f absorbing Dehio's arguments almost without qualification. Precisely ıis understanding of theoretical imperialism is advocated here: absorb- ıg *the Dehio story should greatly strengthen the appeal and utility of* ıe leadership long-cycle perspective. At the very least, it makes more icit some things that have for too long been left relatively implicit in -cycle analyses. By giving more attention to continental powers and ıistorical timing of their rhythms of ascent and decline, the bigger ıre is enriched through greater elaboration of some more of the mul- processes at work.

he construction of theory is or should be an ongoing process of elab- on, refinement, and struggling with puzzles, gaping holes, and cu- s empirical findings. Sometimes, borrowing from other theories is ficial, for no theoretical infrastructure in international relations is so pelling that room for improvement does not exist. It helps that the ership long-cycle framework possesses some theoretical elasticity. very high degree of theoretical synergy, in spite or because of the

differently oriented preoccupations, makes the merger all the more nat ural, desirable, and profitable. If, in the bargain, we also gain a new reinforced, or simply more systematic appreciation for the sometime unusually dangerous nature of regional-global interactions, so much th better.

POWER TRANSITIONS AND GREAT POWER WAR FROM WESTPHALIA TO WATERLOO

By WOOSANG KIM*

A great deal of the literature in international politics has analyzed and debated the causes of great power conflict. The balance-of-ower theory, though subjected to only limited empirical scrutiny, has en the most widely accepted explanation of the way international con-t and stability emerge in the international order. Balance-of-power eorists contend that alliances are made in response to a perceived threat d are intended to preserve power parity among the competing great wer coalitions. They suggest that the presence of an equality of power ong coalitions tends to discourage war.[1] Power transition and hege-nic stability theorists propose a contradictory view of international bility: that there exists a power hierarchy that structures the interna-al order. They attribute peace to the power advantage of the domi-t nation (hegemon or world power) and to the support for the inter-

I would like to thank Bruce Bueno de Mesquita, Jack Levy, and James Morrow for their ful comments and suggestions. An earlier version of this paper was presented at the al meeting of the International Studies Association, March 1991.

Inis L. Claude, Jr., *Power and International Relations* (New York: Random House, 1962); ard Gulick, *Europe's Classical Balance of Power* (Ithaca, N.Y.: Cornell University Press,); Morton A. Kaplan, *System and Process in International Politics* (New York: John Wiley,); George Liska, *Nations in Alliance: The Limits of Interdependence* (Baltimore: Johns kins University Press, 1962); Hans J. Morgenthau, *Politics among Nations* (New York: d A. Knopf, 1973); Kenneth N. Waltz, *Theory of International Politics* (Reading, Mass.: son-Wesley, 1979); Quincy Wright, *A Study of War*, 2d ed. (Chicago: University of Chi- Press, 1965). There have been some efforts to develop formal models of the balance of r. See, e.g., Emerson M. S. Niou, Peter C. Ordeshook, and Gregory F. Rose, *The Balance wer: Stability in International Systems* (Cambridge: Cambridge University Press, 1989); arrison Wagner, "The Theory of Games and the Balance of Power," *World Politics* 38 1986); Dina Zinnes, "An Analytical Study of the Balance of Power Theories," *Journal ace Research* 4 (1967). But these models have not been tested against empirical reality. recent empirical studies that support the balance-of-power hypothesis that equality of r tends to lead to war include Wayne H. Ferris, *The Power Capabilities of Nation-States* ngton, Mass.: Lexington Books, 1973); J. David Singer, Stuart A. Bremer, and John ey, "Capability Distribution, Uncertainty, and Major Power War, 1820–1965," in Bruce ussett, ed., *Peace, War, and Numbers* (Beverly Hills, Calif.: Sage, 1972); Randolph M. on and Michael R. Tennefoss, "Power, Alliance, and the Escalation of International ict, 1815–1965," *American Political Science Review* 78 (December 1984). For an excellent of the balance-of-power theory, see Jack S. Levy, "The Causes of War: A Review of ies and Evidence," in Philip E. Tetlock et al., eds., *Behavior, Society, and Nuclear War*, (Baltimore: Johns Hopkins University Press, 1989).

national order by its allies or by the "satisfied" nations in general. They suggest, in turn, that war is a result of the dynamic power change between the dominant state and the challenging power, due to differential growth rates across states over time.[2]

Some studies have tested the power transition and hegemonic stability arguments against the empirical record of the nineteenth and twentieth centuries.[3] Others have looked to the empirical record prior to the Napoleonic Wars to examine the relationships between naval power and a global war cycle and between alliance formation and war behavior.[4] Little, if any, rigorous empirical analysis of the power transition model has been done for the period before 1815.[5] Much of what we know about the relationship between power transitions and war is based on evidence since the Congress of Vienna. Here I undertake a systematic investigation of the theory of power transition war as applied to the period from 1648 to 1815. This allows us to assess the robustness of key hypotheses in light of events never before subjected to this scrutiny. I will show that,

[2] Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge Universit Press, 1981); George Modelski, "The Long Cycle of Global Politics and the Nation State," *Comparative Studies in Society and History* 20 (April 1978); A. F. K. Organski, *World Politic* 2d ed. (New York: Alfred A. Knopf, 1968); A. F. K. Organski and Jacek Kugler, *The W Ledger* (Chicago: University of Chicago Press, 1980); William R. Thompson, *On Global W* (Columbia: University of South Carolina Press, 1988). Although Gilpin, Modelski an Thompson, and Organski differ on many points—what constitute capabilities, the way di ferential growth rates are operationalized, how to understand motivation and the behavi of the dominant state and the challenging power, and the definition of great power war the similarities among them are nevertheless profound. They all focus on how changes in t distribution of capabilities drive large wars, and all consider power transitions to be critic central moments in history.

[3] Bruce Bueno de Mesquita and David Lalman, "Empirical Support for Systemic a Dyadic Explanations of International Conflict," *World Politics* 41 (October 1988); idem, *W and Reason* (New Haven: Yale University Press, 1992); Henk Houweling and Jan G. S cama, "Power Transitions as a Cause of War," *Journal of Conflict Resolution* 32 (March 19 idem, "Power Transitions and Critical Points as Predictors of Great Power War," *Journa Conflict Resolution* 35 (December 1991); Woosang Kim, "Power, Alliance, and Major W 1816–1975," *Journal of Conflict Resolution* 33 (June 1989); idem, "Alliance Transitions Great Power War," *American Journal of Political Science* 35 (November 1991); Woosang I and James D. Morrow, "When Do Shifts in Power Lead to War?" *American Journ Political Science* (forthcoming); Organski and Kugler (fn. 2).

[4] Jack S. Levy, "Alliance Formation and War Behavior: An Analysis of the Great I ers," *Journal of Conflict Resolution* 25 (December 1981); idem, *War in the Modern Great P System, 1495–1975* (Lexington: University Press of Kentucky, 1983); George Modelski William R. Thompson, *Seapower in Global Politics, 1494–1993* (Seattle: University of W ington Press, 1988); idem, "Long Cycles and Global War," in Manus I. Midlarsky, ed., *H book of War Studies* (Boston: Unwin Hyman, 1989); Thompson (fn. 2).

[5] An exception is Thompson's study on the power transition theory. Although his res does not employ a rigorous statistical analysis, he examines the trends of relative nav pabilities among the principal contenders in the international system to test a key I transition hypothesis. See William R. Thompson, "Succession Crises in the Global Pc System: A Test of the Transition Model," in Albert Bergesen, ed., *Crises in the World S* (Beverly Hills, Calif.: Sage, 1983); and idem (fn. 2).

:y revision of the power theory supported in studies of the post-Napo- ɔnic era is also applicable to the pre-Napoleonic period.

ROBLEMATIC ASSUMPTION

uite a few studies that have tested hypotheses of power transition and :gemonic stability report empirical evidence that supports a part of the ›wer transition arguments.[6] These studies investigate the empirical rec- d of only the nineteenth and twentieth centuries, however. Indeed, rganski, the founder of the power transition theory, argues that the odel can be applied only to that period—the "period of industrial rev- ıtion," when "differential industrialization is the key to understanding shifts in power."[7]

The restriction that the power transition theory only applies to the riod after the industrial revolution stems from an emphasis on the role industrialization in stimulating differential growth rates. Internal de- opment through industrialization is often considered to be the prin- al means by which relative power changes. By contrast, power tran- on theorists generally overlook alliance formation as an important ans of augmenting national power.[8] This assumption that alliances are critical confines the theory's direct applicability only to the industrial

According to Organski, prior to the industrial revolution, all nation- es were preindustrial. Only during and after the industrial revolution ere a mix of preindustrial, industrializing, and industrialized nation- es, a situation that creates a context of uneven growth and transition ower.[9] Others, however, assert to the contrary that the structures of global political system were already in place prior to the industrial lution. There seems to be no compelling reason to assume that some ee of industrialization is a prerequisite for differential growth rates ng nation-states. The processes of dynamic changes in power can be rved in an "earlier agrarian and trade-oriented phase of the devel- ent of the modern world system."[10]

ueno de Mesquita and Lalman (fn. 3, 1988, 1992); Houweling and Siccama (fn. 3, 1988, Kim (fn. 3, 1989, 1991); Kim and Morrow (fn. 3); Organski and Kugler (fn. 2).
rganski (fn. 2), 345–46.
cek Kugler and A. F. K. Organski, "The Power Transition: A Retrospective and Pro- ve Evaluation," in Midlarsky (fn. 4); Organski (fn. 2); Organski and Kugler (fn. 2).
rganski also argues that once all states are industrially advanced, the circumstances presumably once again preclude the possibility of transition struggles, since "great and n shifts in national power" would be less likely. Therefore, he suggests, we need a ' theory for the future. See Organski (fn. 2).
hucydides, *The Peloponnesian War*, trans. Rex Warner (Harmondsworth, England: in Books, 1972); Gilpin (fn. 2); idem, "The Theory of Hegemonic War," *Journal of sciplinary History* 18 (Spring 1988); Levy (fn. 4, 1981, 1983); idem, "Theories of General

This paper questions Organski's assumption, particularly for the years leading up to the industrial revolution. I revise the power transition model by relaxing the problematic assumption that internal growth is the only method of augmenting power, and I suggest instead that a nation's power can also be augmented by such external means as alliance formation.[11] The theory can then be applied to the risk of great power wars during the preindustrial era: this paper evaluates the evidence for the period between 1648 and 1815 to test whether the power transition arguments hold not only for the nineteenth and twentieth centuries but also for the seventeenth and eighteenth centuries.

Revised Hypotheses

I have shown elsewhere how power transition arguments can be altered by allowing alliance formation as an alternative means by which nations augment their power.[12] Here, I offer a brief summary of the revised power transition argument.[13] Among great powers, differences in growth rates and the formation of alliances and counteralliances lead to a redistribution of power in the international system; some great powers overtake their rivals during that process. The newly strengthened great power challenges the dominant power that enjoys most of the benefits and privileges in the existing international system. Further, as the challenger increases its capabilities through internal development and alliance formation and overtakes the dominant power, it is more likely to attack the dominant power. Threatened by demands for changes in the

War," *World Politics* 37 (April 1985); Modelski and Thompson (fn. 4, 1988, 1989); Thompson (fnn. 2, 5). Levy, Modelski and Thompson, Toynbee, and Wallerstein hold that the modern nation-state system emerged around 1500. Russett and Starr note otherwise, that many scholars date the modern nation-state from the Peace of Westphalia (1648). See Bruce M. Russett and Harvey Starr, *World Politics: The Menu for Choice* (San Francisco: W. H. Freeman, 1981); Levy (fn. 4, 1981, 1983); Modelski and Thompson (fn. 4, 1988); Arnold J. Toynbee, *A Study of History*, vol. 9 (New York: Oxford University Press, 1954); Immanuel Wallerstein, *The Politics of the World Economy* (Cambridge: Cambridge University Press, 1984).

[11] Michael Altfeld, "The Decision to Ally: A Theory and Test," *Western Political Quarterly* 37 (December 1984); Grace Iusi-Scarborough and Bruce Bueno de Mesquita, "Threat and Alignment Behavior," *International Interaction* 14 (1988); Kim (fn. 3, 1991); Jack S. Levy, "Declining Power and the Preventive Motivation for War," *World Politics* 40 (October 1987). James D. Morrow, "Alliances and Asymmetry: An Alternative to the Capability Aggregation Model of Alliances," *American Journal of Political Science* 35 (November 1991); Benjamin A Most and Harvey Starr, "International Relations Theory, Foreign Policy Substitutability, and 'Nice' Laws," *World Politics* 36 (April 1984).

[12] Kim (fn. 3, 1991).

[13] This argument might also be applied to cases of great power war in general, where the rapidly growing great power challenges the declining stronger rival (in those cases, the declining stronger rival is not the dominant power but a great power). The hegemonic war arguments seem to be special cases of power transitions in general. For the original arguments about power transition, power parity, and the rate of growth, see Organski (fn. 2); and Organski and Kugler (fn. 2).

:isting international order, the dominant nation has a large stake in ·eserving the status quo, in which it and its allies share the benefits and ·ivileges of both collective and private goods. The dominant nation, ith the support of its allies, tries to thwart the challenger's progress. uring such a period of power transition, characterized by an equal disibution of power between the dominant nation and the challenger, mar power war is more likely.[14]

The speed with which the challenging power catches up is another nportant factor in assessing the likelihood of conflict. If the challenger's ternal and external capabilities are increasing slowly, there is a greater celihood that the problems arising from a great power's catching up ith its rival can be resolved without resort to military conflict. Hower, if the challenger's capabilities are increasing rapidly, then both the ominant power and the challenger are caught unprepared for the relting shift in the international power order. The fast-growing challnger alters the existing international power order, and this attempt will ad the fast-growing great power to attack the dominant nation.

The challenger's degree of satisfaction can also affect the likelihood of ajor power conflict.[15] Organski writes that some great powers in the ternational system are

> satisfied with the present international order and its working rules, for they feel that the present order offers them the best chance of obtaining the goals they have in mind. The dominant nation is necessarily more satisfied with the existing international order than any other since it is to a large extent *its* international order.

thers, however, are not satisfied with the status quo, because they "have own to full power after the existing international order was fully esblished and the benefits already allocated."[16] During the power transion period, if the challenging power is dissatisfied with the existing in-

[14] The role of alliance is viewed differently in the revised power transition theory and in e balance-of-power theory. Balance-of-power theorists argue that alliances are made in sponse to a perceived threat and are indispensable to maintaining a balance of power and nce to preserving the peace. See, e.g., Gulick (fn. 1); Liska (fn. 1); and Stephen M. Walt, *ie Origins of Alliances* (Ithaca, N.Y.: Cornell University Press, 1987). On the contrary, in the vised power transition framework, approximate equality of power for the challenger rela'e to that of the dominant nation, which results from such internal and external efforts of anges in power as internal growth and alliance formation, may be seen as a precursor of ır.

[15] Bruce Bueno de Mesquita, "Pride of Place: The Origins of German Hegemony," *World litics* 43 (October 1990); Bueno de Mesquita and Lalman (fn. 3, 1992); Michael Howard, *ie Causes of Wars* (Cambridge: Harvard University Press, 1983), 18–20; Paul M. Kennedy, *ie Rise and Fall of the Great Powers* (New York: Random House, 1987), chap. 5; Kugler d Organski (fn. 8); Organski (fn. 2); Organski and Kugler (fn. 2).

[16] Organski (fn. 2), 366; emphasis in original.

ternational order and refuses to abide by its rules, then major pow conflict is hypothesized to be most likely. But if instead the challenger satisfied with the existing international order and wishes merely to tal over its leadership, then major war is less likely.

Based on the above argument four hypotheses can be put forth:

H1. Major war is more likely when a great power's internal and external capabilities are overtaken by those of another great power.

H2. Major war is more likely the faster the challenger increases its internal and external capabilities relative to the dominant nation.

H3. Major war is most likely when the internal and external capabilities of the two great states are equally distributed.

H4. Major war is more likely if during the power transition period the challenging power is dissatisfied with the status quo. War is less likely, however, if the challenging power is satisfied with the existing international order.

Data and Measurement of Variables

This research considers all power relationships between pairs of gre: powers during the period from 1648 to 1815. The definition of the gre: powers used here is from Modelski and Thompson.[17] Table 1 is a list (the great powers during this period. To create the set of test cases, follow the same procedure used by Organski nad Kugler.[18] First, tl entire period is divided into twenty-year intervals.[19] Then, for eac twenty-year period each great power is paired with every other gre: power on the list in Table 1. This procedure creates seventy-four dya

[17] The list of great powers in this analysis is the same as Modelski and Thompson's list (global powers. Modelski and Thompson emphasize naval capabilities: to be considered great, or "global," power in their terms, a nation-state must control a minimum of 10% (the global-reach naval capabilities and demonstrate a genuine oceanic scale of naval activiti For details about their definition of global power, see Modelski and Thompson (fn. 4, 198 97–99; or Thompson (fn. 2), 47–49. Modelski and Thompson's list is somewhat different fro Levy's list (fn. 4, 1983). Whereas Levy includes Austria-Hungary (1648–1815), Sweden (164 1721), the Ottoman Empire (1648–1699), and Prussia (1740–1815) among the great powe Modelski and Thompson do not, because those states did not have the necessary naval cap bilities. I use Modelski and Thompson's definition of great power for two reasons. First, it because of data availability. I develop a new national capability data set for the period fro 1648 to 1815 using data based on army size, population, and sea power; sea power data f Austria, Sweden, the Ottoman Empire, and Prussia are not readily available. Second, M delski and Thompson's definition is more globally oriented than Levy's, which is more E rocentric.

[18] Organski and Kugler (fn. 2).

[19] Organski and Kugler (fn. 2) believe that for war to break out a long period of time required to produce sufficient changes in the power distributions between possible adversa ies. They argue for a period of approximately twenty years before each war.

TABLE 1
GREAT POWERS, 1648–1815

Great Power	Years as Great Power
France	1648–1815
England/Great Britain	1648–1815
Spain	1648–1808
Netherlands	1648–1810
Russia	1714–1815

SOURCES: George Modelski and William R. Thompson, *Seapower in Global Politics, 1494–1993* (Seattle: University of Washington Press, 1988).

periods.[20] Table 2 shows the test periods and the number of dyads in each period. Then, taking into account each side's alliance structure, I determine whether the national capability of each dyad in each twenty-year period is or is not equal, following the method described below. Likewise, I determine whether a war between each dyad took place during each twenty-year period.

The objective is to separate empirically the dyad-periods that include a war between the members of the dyad from those that do not. The observations in this analysis include all possible pairs of great powers and not just those that eventually fought. Hence, the dependent variable in this analysis is a dichotomy of *war* or *no-war*. By distinguishing between dyad-periods that go to war and those that do not, we can test the revised power transition arguments about what conditions make great power war more likely.

GREAT POWER WARS

This analysis includes the great power wars identified by power transition and hegemonic stability theorists: Organski and Kugler, Gilpin, and

[20] Disputes between the two groups of nations are decomposed into all possible dyads, a procedure that has both advantages and disadvantages. On the one hand, it increases the number of cases and avoids aggregating nations whose actions may be independent. On the other hand, it also isolates dependent decisions and increases the effects of random error in the measurement of the independent variables. For example, there are ten dyads in the period from 1800 to 1815. The behavior of some nations in those dyads was not independent across dyads. Cases that are not statistically independent can be problematic in statistical tests. The significance tests used here should be viewed as a heuristic device to suggest the relative strength of associations. Even given these problems, decomposing multilateral disputes is not novel. This procedure is comparable to the approaches of Houweling and Siccama (fn. 3, 1988, 1991); Kim (fn. 3, 1991); and Organski and Kugler (fn. 2). Statistical analyses of arms race disputes also often decompose multilateral disputes. See, e.g., James D. Morrow, "A Twist of Truth: A Reexamination of the Effects of Arms Race on the Occurrence of War," *Journal of Conflict Resolution* 33 (September 1989); and Michael D. Wallace, "Arms Races and Escalation: Some New Evidence," *Journal of Conflict Resolution* 23 (March 1979).

TABLE 2
TEST PERIODS, GREAT POWERS, AND NUMBER OF DYADS

Test Periods	Great Powers[a]	Number of Dyads
1648–59	ENG FRN SPA NET	6[b]
1660–79	ENG FRN SPA NET	6
1680–99	ENG FRN SPA NET	6
1700–1719	ENG FRN SPA NET	6
1720–39	ENG FRN SPA NET RUS	10
1740–59	ENG FRN SPA NET RUS	10
1760–79	ENG FRN SPA NET RUS	10
1780–99	ENG FRN SPA NET RUS	10
1800–1815[c]	ENG FRN SPA NET RUS	10
		(N = 74)

[a] ENG = England; FRN = France; SPA = Spain; NET = Netherlands; RUS = Russia.
[b] $_4C_2$ = 6 where C is combination.
[c] Spain is considered a great power until 1808; Netherlands is considered a great power until 1810.

Modelski and Thompson.[21] Gilpin considers the Dutch War of Louis XIV (1672–78), the War of the League of Augsburg (1688–97), the War of the Spanish Succession (1701–13), the French Revolutionary Wars (1792–1802), and the Napoleonic Wars (1803–15) as "hegemonic" wars during the period from 1648 to 1815. Modelski and Thompson identify the War of the League of Augsburg, the War of the Spanish Succession, and the French Revolutionary and Napoleonic Wars as "global" wars during that same period. Organski and Kugler identify six "major" wars according to the following criteria: (1) whether at least one great power participated on each side; (2) whether the opposing sides made all-out efforts to win, judged by the severity of battle deaths for each war; and (3) whether the war resulted in the loss of territory for the losing side.[22] The six major wars are the Dutch War of Louis XIV (1672–78), the War of the League of Augsburg (1688–97), the War of the Spanish Succession (1701–13), the Seven Years' War (1755–63), the French Revolutionary Wars (1792–1802), and the Napoleonic Wars (1803–15).[23] The three dif-

[21] Organski and Kugler (fn. 2); Gilpin (fn. 2); and Modelski and Thompson (fn. 4, 1988). Gilpin speaks of *hegemonic* wars, Modelski and Thompson of *global* wars, and Organski and Kugler of *major* wars. For an excellent summary of differences in their definitions, see Levy (fn. 10, 1985).

[22] Organski and Kugler (fn. 2).

[23] Unlike Gilpin and Modelski and Thompson, Organski and Kugler consider the Seven Years' War as a major war by their various criteria. During the Seven Years' War, first of all, great powers participated on each opposing side. Second, that war was as severe as previous wars: total battle deaths of the War of the League of Augsburg in nine years were 680,000, for an average of 75,555 dead per year; for the War of Spanish Succession the num-

erent sets of great power wars included in this analysis are presented in Table 3.[24]

NATIONAL CAPABILITY AND ALLIANCE DATA

The national capabilities measure of the great powers from 1648 to 1815 s developed here. The effort to arrive at estimates is based on three ndicators: two, army size and population, are among the most widely ecognized indicators of national capabilities;[25] the third, sea power, has lso been considered a very important indicator of national power. To etain the status of a great power capable of exerting influence anywhere n the world, a nation-state must have not only a strong land-based army ut also naval capability that can support constant ocean-going activity.[26]

Sorokin's data provide the basis for the rough estimate of army size of ach great power for each five-year period of the seventeenth and eigh-eenth centuries. The data detail wars between 500 and 1925 by duration, verage army strength, and number of casualties.[27] The population data,

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er over twelve years was 1,251,000, for an average annual level of death of 104,250; in the even Years' War total deaths in eight years were 992,000, averaging 124,000 per year. Thus, he severity of battle deaths of the Seven Years' War reached a higher level than those of the wo previous wars, the War of the League of Augsburg and the War of Spanish Succession. his comparison is based on the data in Levy (fn. 4, 1983), 77–92.

[24] Levy includes the War of Austrian Succession (1739–48) in his list of the general wars, ut it is not included in any of the three war lists in Table 3. Organski and Kugler do not nclude the War of Austrian Succession, however, because by their criteria it was not as evere as earlier wars, the War of the League of Augsburg or the War of Spanish Succession. otal battle deaths for the nine years of the War of the Austrian Succession were 359,000, veraging 39,888 per year. See Levy (fn. 4, 1983), 77–92; and idem (fn. 10).

[25] Bruce Bueno de Mesquita, *The War Trap* (New Haven: Yale University Press, 1981); ilpin (fn. 2); Organski and Kugler (fn. 2); Singer, Bremer, and Stuckey (fn. 1); A. J. P. aylor, *The Struggle for Mastery in Europe, 1848–1918* (Oxford: Oxford University Press, 954).

[26] See Alfred Mahan, *The Influence of Sea Power upon History, 1660–1783* (New York: Hill nd Wang, 1890); and Modelski and Thompson (fn. 4, 1988, 1989). Military, economic, and emographic indicators are important components of estimates of national capabilities. My apability index does not include direct economic indicators. This could be a shortcoming, lthough naval power was probably highly correlated with wealth. Although the current vailable data allow the construction of only a crude indicator, I hope that this measurement vill soon be modified to include some economic indicators. The new index proposed here is he only composite national capability index for the pre-1816 period and at least is more omprehensive than Modelski and Thompson's naval capability data alone. Their sea power ata are the only capability data used in other empirical analyses for the pre-1815 period.

[27] Pitirim A. Sorokin, *Social and Cultural Dynamics* (New York: American Book Company, 937), 3:543–77. These rough estimates of army size are compared with other historical ources. See, e.g., Ernest R. Dupuy and Trevor N. Dupuy, *The Encyclopedia of Military History: From 3500 B.C. to the Present*, 2d rev. ed. (New York: Harper and Row, 1977), William . Langer, *An Encyclopedia of World History* (Boston: Houghton Mifflin, 1948). I am in the rocess of developing more reliable data for army size by including other available sources s well. These sources include Kennedy (fn. 15); Geoffrey Parker, *Europe in Crisis, 1598–1648* Brighton: Harvester Press, 1980); Karen A. Rasler and William R. Thompson, *War and State Making: The Shaping of the Global Powers* (Boston: Unwin Hyman, 1989); Theodore Ropp, *War in the Modern World* (Durham, N.C.: Duke University Press, 1959). The data for army

Table 3
War Lists, 1648–1815

	Organski and Kugler[a] *(Major War)*	*Gilpin (Hegemonic War)*	*Modelski and Thompson (Global War)*
Dutch War of Louis XIV, 1672–78	X	X	
War of the League of Augsburg, 1688–97	X	X	X
War of the Spanish Succession, 1701–13	X	X	X
Seven Years' War, 1756–63	X		
French Revolutionary Wars, 1792–1802	X	X	X
Napoleonic Wars, 1803–15	X	X	X

Sources: Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981); George Modelski, "The Long Cycle of Global Politics and the Nation State," *Comparative Studies in Society and History* 20 (April 1978); William R. Thompson, *On Global War* (Columbia: University of South Carolina Press, 1988).

[a] The list of Organski and Kugler's major wars is based on their selection criteria in A. F. K. Organski and Jacek Kugler, *The War Ledger* (Chicago: University of Chicago Press, 1980).

:ained from Babuscio and Dunn, Cook and Paxton, and McEvedy and ıes,[28] are also rough estimates of the population size of each great wer for each five-year period. Data for sea power are from Modelski 1 Thompson.[29] Naval capability is calculated for each great power, also each five-year period, based on the number of warships. Between ;5 and 1670 all warships with thirty guns or more are counted. Be- een 1671 and 1690, warships with the minimum of forty guns are luded. After 1691 warships with the minimum of fifty guns are ınted. These three indicators—army size, population, and sea wer—are weighted equally and are transformed into a quinquennial ative great power capability index for the years 1648 to 1815.[30]

The list of great power alliances from 1648 to 1815 is also developed ·e. While the three types of military alliance identified by Singer and ıall provide a sound framework for empirical studies of alliance be- vior, such detailed information is currently not available prior to 15.[31] I must therefore use a less precise indicator for my analysis: I ·ntify the presence or absence of alliance relationships among great wers during the period from 1648 to 1815 without classifying them by ɔe.[32]

The secondary sources that I rely on are generally clearer about the

· based on Sorokin's work do not seem to be very different from the newly revised data ·d on the sources listed above. For example, I have revised the national capability measure France and compared it with the French capability measure used in this analysis. The relation coefficient for these two is very high ($r = .97$).

' Jack Babuscio and Richard M. Dunn, *European Political Facts, 1648–1789* (New York: ts on File, 1984); Cris Cook and John Paxton, *European Political Facts, 1789–1848* (New k: Facts on File, 1981); Colin McEvedy and Richard Jones, *Atlas of World Population tory* (Middlesex, England: Penguin Books, 1978).

' Modelski and Thompson (fn. 4, 1988).

" The same weighing procedure is used in the Correlates of War (cow) project's national ability index for 1816 to 1970. This index and that of the cow project differ, as follows: ereas mine is based on three indicators, the cow index is based on six indicators (army ·, military expenditure, energy consumption, iron/steel production, total population, and an population). For details about the cow index, see Singer, Bremer, and Stuckey (fn. 1).

' See J. David Singer and Melvin Small, "Formal Alliances, 1815–1939: A Quantitative ·cription," *Journal of Peace Research* 1 (1966). Singer and Small focus on formal military ınces and classify them into three categories. These are defense pacts, in which the sig- ɔries agree to come to each other's mutual defense in case any one of them is attacked; trality or nonaggression pacts, in which the signatories agree not to declare war against h other in the event that a third nation declares war against one of them; and entente, in ıch the signatories agree to consult each other about possible coordinated action in the nt one of them is attacked by a third party.

' Alliances identified by any of the three leading historical sources (Albrecht-Carrié, Du- and Dupuy, and Langer) are included in this alliance data set. However, most of the ınces mentioned by one source are also identified by the other two and/or by other im- tant sources. René Albrecht-Carrié, *The New Encyclopedia Britannica*, 15th ed., s.v. "Eu- ean diplomacy and wars, c. 1500–1914"; Dupuy and Dupuy (fn. 27); Langer (fn. 27). ıer important sources include Babuscio and Dunn (fn. 28); Cook and Paxton (fn. 28); y (fn. 4, 1981).

inception of an alliance than about its termination. Consequently, termination dates are estimated based on two simple rules. First, since an alliance treaty is here considered a collection of bilateral agreements among the signatories, the addition of new members to an existing alliance terminates it and transforms it into a new alliance. Thus, for example, the League of Augsburg was formed in 1686 by Austria, Spain, Sweden, and other minor powers such as the electorates of Bavaria, Saxony, and the Palatinate against France. After England and the United Provinces joined the League of Augsburg in 1689, it was transformed into the Grand Alliance. By my rule, then, the League of Augsburg was terminated in 1688 and the Grand Alliance was started in 1689. Second, when any two members of an alliance fight each other in war, I consider the alliance to be terminated. If, however, all the members in the alliance fight against common enemies, then the peace treaty at the end of the war is considered to terminate the alliance. I estimate that the Grand Alliance terminates in 1697 when the War of the League of Augsburg ended with the two treaties of Ryswick, the first between France, England, Spain, and the United Provinces, and the second between France and the Austrian empire.[33]

With this newly developed list of great power alliances, the utility index (that is, tau-b coefficients for similarity in alliance portfolios [U_{ki} or U_{kj}]) is calculated for each five-year period from 1648 to 1815.[34] In the following section, this index is utilized in developing the adjusted national capability measure and in operationalizing one of the independent variables: level of dissatisfaction.

The Independent Variables

I synthesize in one measure the internal and external capabilities a nation can draw on. A nation's internal capabilities are given by its composite

[33] Albrecht-Carrié (fn. 32); Babuscio and Dunn (fn. 28); Dupuy and Dupuy (fn. 27); Langer (fn. 27). In a subsequent paper, I explain in more detail how these new national capability and alliance data are developed and provide these raw data.

[34] The "utility index" comes from Bueno de Mesquita's expected utility research program. It is a measure of the degree to which the policies pursued by two nations are congruent and is based on the military alliance patterns of nations, which may be considered the single most important foreign policy dimension. Bueno de Mesquita uses Singer and Small's formal alliance data to create his utility index; that is, his utility index, U_{ki} or U_{kj}, for the period from 1816 to 1970 is based on four categories (defense pacts, neutrality or nonaggression pact, entente, and no alliance). With these four categories, a four-by-four contingency table for every possible dyad in every year from 1816 to 1975 is constructed; the similarity of alliance portfolios (or the utility index) is measured by calculating Kendall's tau-b score for each four-by-four table. A more detailed description of the utility index can be found in Bueno de Mesquita (fn. 25). As described above, when calculating a utility index for the period from 1648 to 1815, I do not distinguish three types of alliances. Instead, I use only the two categories alliance and no alliance.

pability score, described above. I then add the support that a nation pects from all other great powers. The amount of support a particular ird party contributes to a great power depends on its own capabilities ıd its closeness to the great power. Countries with greater internal ca-ıbilities can contribute more, and those with better relations contribute greater fraction of those capabilities.

Great power i's and great power j's adjusted national capabilities are lculated as follows:

$$AdjC_i = C_i + \sum_{k \neq i,j} C_k \times \frac{(U_{ki} - U_{kj})}{2} \text{ if } (U_{ki} - U_{kj}) \geq 0$$

$$AdjC_j = C_j + \sum_{k \neq i,j} C_k \times \frac{(U_{kj} - U_{ki})}{2} \text{ if } (U_{kj} - U_{ki}) \geq 0$$

where i (or j) is great power i (or j) in each dyad; k is a third-party great power.

$AdjC_i$ (or $AdjC_j$) is i's (or j's) adjusted national capability; C_i (or C_j or C_k) is i's (or j's or k's) internal capability;

$\frac{(U_{ki} - U_{kj})}{2}$ gives the percentage of k's capabilities that it contributes to i's capabilities when $(U_{ki} - U_{kj}) \geq 0$.

he adjusted capability of great power i in a dyad, denoted $AdjC_i$ in the ıuation, adds the proportion of third-party resources that great power :an draw on to augment its internal capabilities. That proportion is .sed on those third parties believed by i to prefer i to j. It is estimated the sum of the products of the capabilities of each such third party ultiplied by great power i's approximation of each third party's inten-y of preference for an outcome favoring i over j. The adjusted capa-lity, then, measures a great power's capability augmented by the assis-nce it expects from other great powers.

The adjusted capability measurement in the above equation improves two ways on the alternative measure of simply adding the capabilities a nation's allies to its own. First, nations do not always honor their liances.[35] The adjusted capability measurement discounts a nation's ex-cted support from its allies by the reliability of the alliance. Second, tions often expect aid from other states not formally allied with them; e measure used here includes these contributions by considering all

[35] Alan N. Sabrosky, "Interstate Alliances: Their Reliability and the Expansion of War," J. David Singer, ed., *The Correlates of War: II* (New York: Free Press, 1980).

third-party great powers as possible contributors.[36] The utility measure $(U_{k_i} - U_{k_j})$ in the equation above discounts allies' internal capabilities for the reliability of the alliance and provides a rough measure of aid from those not formally allied but nevertheless having shared patterns of alliance commitments.[37]

The equality of adjusted national capabilities between the two great powers in each dyad is employed as one of the independent variables in this analysis. The power transition, the difference in the growth rates between the two great powers in a dyad, and the level of dissatisfaction of the challenging power are also employed as independent variables.

One independent variable—equality of internal and external capabilities between the two great powers in each dyad—is measured as the ratio of the mean adjusted national capability scores of the two great powers during each twenty-year period. The ratio is defined as the mean adjusted national capability of the weaker great power divided by the mean adjusted capability score of the stronger great power. This ratio is hereafter called *alliance equality*.

Another independent variable—the power transition between the two great powers in a dyad—is defined as the overtaking of one great power's adjusted capability by the opposing great power's adjusted capability. When a great power that was less powerful in terms of adjusted capability at the beginning of the twenty-year interval grew more powerful than the opposing great power before the period ended, the transition of power between the two is said to have occurred and is coded as 1. Otherwise, it is coded as 0. Thus, the *alliance transition* variable is dichotomized.

The rate of growth is defined as the difference between the growth rates of the two great powers. The growth rate of each great power during the period from 1660 to 1679, for example, is calculated by $(AC_2 - AC_1)/AC_1$, where AC_1 is each great power's mean adjusted capability for the period from 1655 to 1664, and AC_2 is each great power's mean adjusted capability for the period from 1675 to 1684. The difference is measured as the smaller growth rate of one great power subtracted from the bigger growth rate. So, if the growth rate of one great power is fast and that of the other is slow, then the difference will be great, whereas if the growth rates of both great powers are slow or fast, then the difference

[36] In this paper, therefore, "allies" does not necessarily mean nations that have a bilateral formal treaty. Allies refers to nations that have shared values (or a common alliance pattern) even if they are not formally allied with each other.

[37] Michael Altfeld and Bruce Bueno de Mesquita, "Choosing Sides in Wars," *International Studies Quarterly* 23 (March 1979).

will be small. This independent variable is hereafter called *alliance growth rate*.

The challenger's dissatisfaction is assessed by determining the degree of agreement between its policies and those of the dominant (or leading) power in the system. According to Organski, a nation that favors the status quo in the international order is a satisfied nation, and the dominant nation is always satisfied. A nation that does not accept the status quo and refuses to abide by the rules of the existing international system is a dissatisfied nation. The dissatisfied challenger, then, has not much common interest with the dominant nation, and the more dissatisfied a challenger is, the less common interest it shares with the dominant nation. In measuring degree of dissatisfaction, I first define the great power with the greatest average internal capabilities for each twenty-year period as the dominant (or leading) power for that period. For every other power, I calculate the average utility score (that is, the average tau-b coefficient of alliance portfolios) for the dominant power's policies during the period. The higher the average utility score, the greater the agreement between the dominant power's policies and its policies and vice versa. With this measurement of the degree of dissatisfaction of each great power, the dissatisfaction variable is operationalized as the challenger's level of dissatisfaction in each dyad.[38] That is, the degree of dissatisfaction of the weaker power in each dyad is used as the measurement for the dissatisfaction variable.

Data Analysis

To examine the influence of the four independent variables—alliance transition, alliance growth rate, alliance equality, and dissatisfaction—on the likelihood of war, these four variables are included individually. To examine their possible interactive effect, the interactive term of these four variables is also included in the model. I also include the interactive variable for alliance equality and dissatisfaction because the empirical findings in previous studies for the period 1816–1970 suggest that the level of dissatisfaction and the equality of power between the two great powers (after taking into account their allies' support) have a significant interactive effect on the likelihood of major war.[39] The first model, then, is specified as follows:

[38] For more details about the concept and measure of dissatisfaction, see Organski (fn. 2); and Kim (fn. 3, 1991).

[39] Kim (fn. 3, 1991).

Model Specification I

$$\text{War} = \beta_1 + \beta_2 \times \text{Alliance Transition} + \beta_3 \times \text{Alliance Growth Rate} + \beta_4 \times \text{Alliance Equality} + \beta_5 \times \text{Dissatisfaction} + \beta_6 \times \text{Interactive I} + \beta_7 \times \text{Interactive II} + U$$

where Interactive I = (Alliance Transition × Alliance Growth Rate × Alliance Equality × Dissatisfaction); Interactive II = Alliance Equality × Dissatisfaction; β_i's are parameter estimates and U is the stochastic error term.

There is a multicollinearity problem with model I. The correlation coefficient between the interactive II variable (alliance equality × dissatisfaction) and the dissatisfaction variable is about .90, between alliance transition and alliance equality is about .54, and between alliance growth rate and the interactive I variable (alliance transition × alliance growth rate × alliance equality × dissatisfaction) is about .66. To solve the problem of multicollinearity, another model is specified. Some studies on later historical period indicate that the equality of power has a significant individual effect on the likelihood of major war and that the power transition and the rate of growth do not have a significant individual effect but might have interactive effects with the equality of power on the incidence of war. These studies also suggest that major war is most likely when the challenging power is dissatisfied with the existing international order and catches up with the dominant power.[40] The second model, then, includes the alliance equality variable, the interactive term for alliance equality and dissatisfaction, and the interactive term for alliance transition, alliance growth rate and alliance equality.

Model Specification II

$$\text{War} = \beta_1 + \beta_2 \times \text{Alliance Equality} + \beta_3 \times \text{Interactive II} + \beta_4 \times \text{Interactive III} + U$$

where Interactive II = (Alliance Equality × Dissatisfaction); Interactive III = (Alliance Transition × Alliance Growth Rate × Alliance Equality); β_i's are parameter estimates and U is the stochastic error term.

Because the dependent variable, war, is dichotomous, I use logit analysis, which estimates the effect of each independent variable on the log of the odds ratio of the dependent variable using a maximum likelihood procedure. Results of the logit analyses for models I and II are summarized in Tables 4 and 5, respectively. In Table 4 only the parameter estimate of the alliance equality variable is statistically significant at the

[40] Kim (fn. 3, 1989, 1991); Kim and Morrow (fn. 3); Kugler and Organski (fn. 8); Organski and Kugler (fn. 2).

TABLE 4
LOGIT ANALYSIS RESULTS WITH WAR DATA
(MODEL SPECIFICATION I)

dependent riables	*Organski and Kugler*	*Gilpin*	*Modelski and Thompson*
tercept	−4.443	−4.264	−3.580
liance Transition	0.566	0.147	0.431
(s.e.)	(0.734)	(0.769)	(0.824)
(prob)	(0.221)	(0.424)	(0.301)
liance Growth Rate	−0.759	−1.300	−1.333
(s.e.)	(0.932)	(1.042)	(1.143)
(prob)	(0.208)	(0.106)	(0.122)
liance Equality	5.212	4.846	3.192
(s.e.)	(2.832)	(2.932)	(3.040)
(prob)	(0.003)*	(0.049)*	(0.147)
ssatisfaction	9.003	9.606	6.876
(s.e.)	(7.243)	(7.507)	(7.765)
(prob)	(0.107)	(0.100)	(0.188)
teractive I[a]	−2.007	−6.238	−6.036
(s.e.)	(5.517)	(5.201)	(5.427)
(prob)	(0.358)	(0.115)	(0.133)
teractive II[b]	−11.110	−10.936	−6.701
(s.e.)	(9.703)	(9.963)	(10.364)
(prob)	(0.126)	(0.136)	(0.259)
2 × LLR[c]	10.960	8.710	6.040
(prob)	(0.045)*	(0.095)	(0.209)

[a] Interactive I = Alliance Transition × Alliance Growth Rate × Alliance Equality × Dissatisfaction.
[b] Interactive II = Alliance Equality × Dissatisfaction.
[c] −2 × LLR: (−2 × Log Likelihood Ratio) with 6 Degrees of Freedom.
* $p < .05$, one-tailed test.

05 level with Organski and Kugler's and Gilpin's war data. Unlike evious empirical findings of the power transition model for the nineenth and twentieth centuries,[41] the dissatisfaction variable seems to ive neither an individual effect nor an interactive effect with alliance juality on the probability of war. This result seems consistent with ueno de Mesquita and Lalman's theoretical and empirical results of the eriod from 1816 to 1970.[42] Alliance transition, alliance growth rate, and

[41] Kim (fn. 3, 1991); Kim and Morrow (fn. 3).
[42] Bueno de Mesquita and Lalman suggest that it is not dissatisfaction but the "large stake"

TABLE 5
LOGIT ANALYSIS RESULTS WITH WAR DATA
(MODEL SPECIFICATION II)

Independent Variables	*Organski and Kugler*	*Gilpin*	*Modelsk and Thompsc*
Intercept	−2.808	−2.551	−2.581
Alliance Equality	3.139	2.589	1.878
(s.e.)	(1.389)	(1.428)	(1.533)
(prob)	(0.012)*	(0.035)*	(0.110)
Interactive II[a]	1.002	1.091	1.703
(s.e.)	(1.940)	(2.019)	(2.251)
(prob)	(0.303)	(0.295)	(0.225)
Interactive III[b]	−0.201	−1.711	−0.979
(s.e.)	(1.144)	(1.695)	(1.662)
(prob)	(0.430)	(0.156)	(0.278)
−2 × LLR[c]	7.600	5.300	3.310
(prob)	(0.028)*	(0.076)	(0.173)

[a] Interactive II = Alliance Equality × Dissatisfaction.
[b] Interactive III = Alliance Transition × Alliance Growth Rate × Alliance Equality.
[c] −2 × LLR: (−2 × Log Likelihood Ratio) with 3 Degrees of Freedom.
* $p < .05$, one-tailed test.

the interactive variable of alliance transition, alliance growth rate, all ance equality, and dissatisfaction are not statistically significant at th 0.05 level either. The results of the logit analysis in Table 5 also indica that the interactive variables do not have any significant effect on th probability of war. It is only the alliance equality variable that has significant influence on the likelihood of war. With Organski and Kug ler's war data the parameter estimate of the alliance equality variable statistically significant at the 0.05 level (prob = .012) and the value c that parameter estimate is 3.139.[43] A parallel result is found with Gilpin war data. This finding suggests that major power war is most likel when internal and external capabilities between the two rivals are ap proximately equal. Thus, the third hypothesis (H3) of the revised powe

of a system-transforming dispute that is an important factor influencing the probability c major war. See Bueno de Mesquita and Lalman (fn. 3, 1992), chap. 6.

[43] By changing the value of the independent variable from 0.15 to 1.00, we get an appro imately 0.34 increase in the probability of war, holding other variables constant: $p = 1/(1 + e^{-1.0*3.139}) - 1/(1+e^{-0.15*3.139}) = 0.9585 - 0.6156 = 0.3429$. The relative adjusted nation capability ratio = 0 is impossible because the value 0 means that the adjusted capability scor of the weaker great power is 0. The minimum value of relative power ratio in this data about 0.15 and the maximum value is 1.00. So we can change the value of the alliance equalit variable from 0.15 to 1.00 and obtain about 0.34 increase in the probability of war, holdin other variables constant.

ansition model is strongly supported by power transition and hege-ıonic war data.

A part of the findings of this analysis of the power transition theory ır the seventeenth and eighteenth centuries parallels those of previous npirical analyses for the nineteenth and twentieth centuries.[44] Although ansitions of power between the two sides, the level of dissatisfaction of ıe challenger, and the rate at which the challenger is catching up with ıe dominant state have no statistically discernible effect in this analysis, ıe findings support Organski's contention that rough equality of power :tween the two sides increases the likelihood of war. Thus, major war most likely when the challenging great power, supported by its allies, ıtches up with the dominant power.

Conclusion

'he theoretical question of power transition and hegemonic decline nce the emergence of the modern nation-state has attracted consider-ıle attention. Yet there has been only one empirical analysis that focuses ı transitions before 1816.[45] This research, an extension of recent studies ı the theoretical and empirical investigations of the power transition ıodel, modifies the original theory by relaxing a restrictive assumption ·garding the augmentation of national power. The revised argument is ot limited to the period after the Industrial Revolution and can there-ıre be applied to the preindustrial era.

The revised power transition model has improved on the original ver-ıon of the theory, because the evidence indicates that, as hypothesized, is indeed applicable not only to the present industrial era but also to ıe preindustrial era. Organski's contention that a rough equality of ower between the challenging state and the dominant state increases ıe likelihood of war is empirically supported not only for the nineteenth ıd twentieth centuries[46] but also for the pre-1816 period. That is, major 'ar is most likely when the challenging nation's internal and external ıpabilities catch up with those of the dominant power.

Power transition theorists seem to be very pessimistic about the future. 'rganski and Kugler write that

> the sources of national power of any nation are but the patterns of socio-economic and political development; and it is differences in the rates of change inscribed in these patterns that we think are responsible in the end

[44] Kim (fn. 3, 1989, 1991); Kim and Morrow (fn. 3).
[45] Thompson (fn. 5).
[46] Houweling and Siccama (fn. 3, 1988, 1991); Kim (fn. 3, 1989, 1991); Kim and Morrow ı. 3); Organski and Kugler (fn. 2).

> *for the fact that wars break out. . . . The trends in question are not re versible, nor when they act in our favor would we choose them to be if w had the choice. . . . Such trends are simply not manipulable in response t foreign-policy needs. Nor are their political consequences at the interna tional level.*[47]

This pessimism is thus based on the assumption that national power n be augmented only through a nation's internal development. In conti to this pessimistic view—that cataclysmic wars are not manipulable a are out of human control[48]—the argument and the evidence of this stu suggest that the future is not so bleak. Not only internally derived ca bilities but also alliances are sources of power, so the risk of major v may be manipulable and may be prevented through both internal a external means of augmenting national power. Through alignment a realignment of nations, by strengthening and enlarging each great pc er's alliances or by weakening and shrinking opposing coalitions, ma wars that might otherwise result from the rise and fall of great pow could be prevented. To understand great power wars, we need to und stand alliances and the interests that motivate them as well as the dyna ics of relative power changes among great powers.

[47] Organski and Kugler (fn. 2), 63.

[48] Modelski's long-cycle phases of "world power, deconcentration, delegitimation, global war" also suggest the deterministic view that cataclysmic wars are out of human c trol. Although Gilpin notes that "peaceful adjustment of the systemic disequilibrium" is impossible, he also seems to argue that hegemonic wars are not easily avoidable. For m details, see Gilpin (fn. 2); Modelski (fn. 2); Thompson (fn. 2).

EXIT, VOICE, AND THE FATE OF THE GERMAN DEMOCRATIC REPUBLIC

An Essay in Conceptual History

By ALBERT O. HIRSCHMAN*

Es gibt wenig Menschen, die sich mit dem Nächstvergangenen zu beschäftigen wissen. Entweder das Gegenwärtige hält uns mit Gewalt an sich, oder wir verlieren uns in die Vergangenheit und suchen das völlig Verlorene . . . wieder hervorzurufen.

[The immediate past is but rarely the object of our interest. Either the present takes hold of us forcefully or we lose ourselves in the remote past and attempt . . . to re-create what has been wholly lost.]

—*Goethe*
Die Wahlverwandtschaften
[The Elective Affinities]

Introduction

THE year 1989 was greeted with something of a yawn. Its first half would be marked by the elaborate, far-flung, and infinitely wordy :entenary commemoration of the French Revolution. Everything was d out well in advance, and the schedule of events was strictly followed › to the appointed climax, the celebrations of the Fourteenth of July in ıris. Thereafter, with the bulk of festivities, conferences, and speeches er, people would return to their usual pursuits. But then, as though e spirits of revolution, once invoked, assumed a life of their own, came e surprise, the "divine surprise" of that year: a series of totally unexcted political and popular movements broke out in rapid succession in ıstern Europe—from Poland, Hungary, East Germany, and Czecho-ıvakia to Bulgaria and Romania—overturning the hitherto uncontested ›wer of the Communist parties and thereby altering fundamentally the :mingly stable bipolar world "order" of the preceding forty-five years. The most radical of these changes took place in the German Demo-ıtic Republic, where the internal convulsion led in short order to the

* For useful comments on an early draft of this essay, I am much indebted to Albrecht nk, Arthur J. McAdams, Bernhard Peters, and Rebecca Scott. See also fn. 18 for further ·nowledgments.

extinction of the political entity in which it occurred. The East German state was unable to survive the collapse of communist power and was absorbed (*geschluckt*, or "swallowed," is the expressive term often used) by its outsize twin, the Federal Republic of Germany, within a year of the opening of the Berlin Wall on November 9, 1989.

In spite of a considerable outpouring of articles and books—including some autobiographical accounts by key actors—a great deal about these events remains poorly understood. The very fact that they came as a total surprise to both spectators and actors suggests that our capacity to comprehend large-scale political and social change remains utterly underdeveloped. Under the circumstances, any conceptual tool that holds out the promise of providing a handle on the enigmatic events is likely to be eagerly seized upon. This is what happened in Germany to the concepts of "exit" and "voice," which I had proposed in my book *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States.*[1]

The German translation of that book was published in 1974 under the title *Abwanderung und Widerspruch*,[2] literally "outmigration and contradicting." This was a daringly free, though apt, translation of the terms exit and voice, and it may have been chosen by the translator because even then migration and would-be migration were characteristic alternatives to actual resistance in the German Democratic Republic. So the title, with its accent on migration as a primary form of exit, may have contributed to making the book appear particularly relevant to the commotion of 1989. In any event, only six days after the spectacular opening of the Berlin Wall on November 9, 1989, the *Frankfurter Allgemeine Zeitung*, Germany's most respected daily newspaper, published an article by Henning Ritter, director of the social science and humanities section, with the title "Abwandern, Widersprechen: Zur aktuellen Bedeutung einer Theorie von A. O. Hirschman" (To exit, to voice: On the current relevance of a theory of A. O. Hirschman). According to Ritter, my 1970 thesis was being tested "experimentally on a large scale" by the upheaval in East Germany. Since then, several political scientists and sociologists have made extensive, if on occasion conflicting, uses of the concepts of exit, voice, and loyalty in interpreting the events of 1989, now generally called *die Wende* (the turn).[3] Eventually the topic even received a degree

[1] Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge: Harvard University Press, 1970).

[2] Hirschman, *Abwanderung und Widerspruch*, trans. Leonhard Walentik (Tübingen: J. C. B. Mohr, 1974).

[3] For me the most stimulating contributions were several articles by Detlef Pollack, a sociologist of religion at the University of Leipzig. See in particular Pollack, "Das Ende einer Organisationsgesellschaft," *Zeitschrift für Soziologie* 19 (August 1990). Pollack gives an in-

f official sanction as the Deutsche Forschungsgemeinschaft (German ;esearch Association), an agency of the Federal Republic, listed the exit-oice approach to the analysis of the *Wende* among the research projects ligible for its grants.[4]

I became aware of this interest in my twenty-year-old book as I spent ıe academic year 1990–91 at the Wissenschaftskolleg (Institute for Ad-anced Study) in Berlin. At that time, I was also able, through reading nd interviewing, to become more closely acquainted with the history of ıe GDR and, in particular, with the remarkable story of its demise. 'erhaps not surprisingly, I came to feel that the exit-voice perspective ould indeed be of help in seeing some of the events in a new light and ıat it could itself be enriched by its encounter with a complex historical :sting ground. Moreover, to conclude this introduction on a personal ote, the topic provided me with a point of reentry into German politics nd history after an absence of over half a century from the country /here I had spent my first eighteen years.

The Interplay of Exit and Voice: A Reformulation

'o set the stage for my inquiry it is useful to present and reformulate as riefly as possible the concepts of exit and voice as they will be used here. :xit and voice were defined in my book as two contrasting responses of onsumers or members of organizations to what they sense as deterio-ation in the quality of the goods they buy or the services and benefits ney receive. Exit is the act of simply leaving, generally because a better ood or service or benefit is believed to be provided by another firm or

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ghtful account of the events in Leipzig during the fall of 1989; he had obviously witnessed ıem at very close range. He points out that the events contradict my model to the extent it sserts a predominantly rival, rather than complementary, relation between exit and voice in ocial processes. He returns to this theme in several subsequent articles: Pollack, "Religion nd gesellschaftlicher Wandel" (Religion and social change), *Übergänge* (June 1990); and lem, "Aussenseiter oder Repräsentanten?" (Outsiders or representatives?), *Deutschland-Ar-hiv* 23 (1990), 1217–23. See also Pollack and Christiane Heinze, "Zur Funktion der politisch lternativen Gruppen im Prozess des gesellschaftlichen Umbruchs in der DDR" (About the ınction of politically alienated groups in the social upheaval in the GDR), in Wolf-Jürgen 'rabner et al., *Leipzig im Oktober* (Berlin: Wichern, 1990). Other uses of the exit-voice dis-nction are found in Claus Offe, "Wohlstand, Nation, Republik: Aspekte des deutschen onderweges von Sozialismus zum Kapitalismus" (Welfare, nation, republic: Aspects of the nique German path from socialism to capitalism) (Manuscript, September 1990); and Wolf-ang Zapf, "Der Zusammenbruch einer Sozialstruktur" (The collapse of a social structure) Manuscript, February 1991). Visiting graduate students from the United States also contrib-ted to the discussion. See Rogers Brubaker, "Frontier Theses: Exit, Voice, and Loyalty in ast Germany," *Migration World* 18, no. 3–4 (1990), 12–17; and John Torpey, "Exit, Voice, nd Loyalty in the 'Peaceful Revolution' in the GDR" (Paper for the 17th Symposium on the ierman Democratic Republic, University of New Hampshire, June 1991).

[4] Deutsche Forschungsgemeinschaft, press release no. 3, January 29, 1991.

organization. Indirectly and unintentionally exit can cause the deteri rating organization to improve its performance. Voice is the act of coı plaining or of organizing to complain or to protest, with the intent achieving directly a recuperation of the quality that has been impairt Much of my book and of my subsequent writings on this subject de: with the conditions under which exit or voice or both are activated.

A recurring theme of my 1970 book was the assertion that there is ı preestablished harmony between exit and voice, that, to the contrar they often work at cross-purposes and tend to undermine each other, particular with exit undermining voice. Easy availability of exit w shown to be inimical to voice, for in comparison with exit, voice is cost in terms of effort and time. Moreover, to be effective voice often requir group action and is thus subject to all the well-known difficulties of o ganization, representation, and free riding. By contrast, exit, when avai able, does not require any coordination with others. Hence one of n principal points: "The presence of the exit alternative can . . . *atrophy tı development of the art of voice*."[5]

This inverse relationship between exit and voice was confirmed l numerous examples from economic and social life. Thus, the fact th shares can be readily sold in the stock market makes it difficult for shar holders to have any real influence on management through voice; whe exit from a marriage by divorce is easy, less effort will be made at rı pairing the relationship through "voice," that is, through communicatic and efforts at reconciliation; and, as was affirmed by the influenti "Turner thesis," the absence of a strong workers' movement in tl United States can be explained in part by the possibility, real or ima; ined, of "going West"—in the United States mobility was greater, or w: widely believed to be greater, than in Europe during the period of rapi industrialization.

In many situations, exit thus tends to undermine voice, particularl so I argued, when exit deprives the potential carriers of voice of the most articulate and influential members, as is often the case. In a recei essay I came to speak of the "basic seesaw pattern" of exit and voice This pattern could also be characterized as a simple "hydraulic" mode deterioration generates the pressure of discontent, which will be char neled into voice or exit; the more pressure escapes through exit, the le: is available to foment voice.

It is remarkable that so primitive a model was able to account for ɛ

[5] Hirschman (fn. 1), 43; emphasis in original.

[6] Hirschman, "Exit and Voice: An Expanding Sphere of Influence," in Hirschman, *Riv Views of Market Society and Other Recent Essays* (New York: Viking, 1986), 91.

many diverse situations and experiences as have been marshaled by myself and others. But it could not be expected to be universally valid, and indeed the events of 1989 in the GDR traced out a very different relationship. As was pointed out by an East German sociologist,[7] here exit (out-migration) and voice (protest demonstrations against the regime) worked in tandem and reinforced each other, achieving jointly the collapse of the regime.

Even before this spectacular case of collaboration of exit and voice, I had become aware of some complications affecting the seesaw or hydraulic model. For example, I noted that since exit and voice are "two basic, complementary ingredients of democratic freedom, [they] have on the whole been enlarged or restricted jointly."[8] Also, in reconsidering the question of school vouchers, I speculated that the opening up of previously unavailable opportunities of choice or exit may generate feelings of empowerment in parents, who as a result may be more ready than before participate in school affairs and to speak out.[9] Such a positive relation-ip between increased availability of exit and increased willingness to ice rests on a structure that is more complex than the one underlying e seesaw pattern. What happens here is that the newly won right to it actually *changes* the human agents involved. Being allowed more oice they become more aware of and more desirous to explore the hole range of choices at their disposal. Once men and women have won e right to move about as they please, they may well start behaving in neral as adult and hence as *vocal* members of their community.

Here, then, is a quite general rationale for thinking that enlarging the pportunity for exit can on occasion make for *more* rather than less par-ipation and voice. This is indeed close to how things worked out in e German Democratic Republic in 1989. But the course of events over e forty-year-long life of that state comprised a large variety of exit-ice relationships. Some correspond faithfully to my original script; oth-s depart from it more or less in the way that has just been sketched but

[7] See the articles by Pollack cited in fn. 3.

[8] Hirschman (fn. 6), 79.

[9] Ibid., 89. In describing the process of slave emancipation in Cuba in the late 19th century, becca Scott has shown how slaves at times adopted a mixed, exit cum voice strategy; she ls it "voice in pursuit of exit." After 1880, when a new statute had imposed certain obli-tions on slave owners with regard to treatment and payment of slave labor, a substantial mber of slaves, in alliance with abolitionists, took advantage of this statute to bring charges ainst their masters for violations. They obtained their freedom in this manner rather than simply "running away." See Scott, "Dismantling Repressive Systems: The Abolition of very in Cuba as a Case Study," in Alejandro Foxley et al., eds., *Development, Democracy, l the Art of Trespassing: Essays in Honor of Albert O. Hirschman* (Notre Dame, Ind.: Uni-rsity of Notre Dame Press, 1986), 274.

will invite yet new interpretations. Time has come to plunge into "
facts."

EXIT AS ANTAGONIST OF VOICE: 1949–88

From the very day of its founding, the stability of the German Dem
cratic Republic was undermined by its coexistence with the Federal R
public. The possibility of improving one's lot by just getting out—
moving to the other, bigger, freer, and soon to be more prosperous Ge
many—fundamentally distinguished the East German postwar exper
ence from that of the Poles, Czechoslovaks, and Hungarians, who ha
no such alternatives or prospects and who by and large were confined
their countries.

This basic existential difference between the German Democratic R
public and the other three comparatively advanced Soviet satellites i
Eastern Europe explains much about their divergent political history. I
Poland, Czechoslovakia, and Hungary epic battles were fought again
communist domination, from the 1956 Revolution in Budapest to th
Prague Spring of 1968 and the emergence of Solidarity in Poland in 198
After these movements were forcibly suppressed, new forms of resistan
or dissidence promptly reemerged and created new spaces for "civil so
ciety," or, as Václav Havel called it, the "independent life of society."
In the German Democratic Republic, by contrast, the only importa
manifestation of discontent was the early and promptly crushed worker
uprising of Berlin on June 16–17, 1953. Thereafter, resistance (other tha
attempts to exit) and dissidence were minimal—until the powerf
movement of autumn 1989, of course.

One may put in a claim right here, then, for a resounding confirma
tion of the simple hydraulic exit-voice model: the presence, real or imag
ined, of the exit option did undermine the development of the art
voice in the German Democratic Republic. For many years the GD
was the most reliably tranquil as well as the most supine of the Sovie
satellites. In Poland, Hungary, and Czechoslovakia resistance and diss
dence were also up against enormous odds, but at least these movemen
did not have to contend with the sabotage and lure of exit.

Once stated, this very general first finding must be qualified by a mor
detailed look at exit and voice as they operated in the German Demo
cratic Republic. For the purpose of the history of exit, Table 1 show
yearly data on East-West emigration from 1949 to 1989. Migration wa

[10] Havel, "The Power of the Powerless," trans. P. Wilson, in Havel, *Living in Truth*, e
Jan Vladislav (London: Faber and Faber, 1986), 85ff.

TABLE 1
MIGRANTS AND REFUGEES FROM THE GDR
(INCLUDING EAST BERLIN) TO THE FRG
(INCLUDING WEST BERLIN)

ar	*Refugees*	*Authorized Migrants*	*Including Ransomed Political Prisoners*	*Total*
49	129,245	—	—	129,245
50	197,788	—	—	197,788
51	165,648	—	—	165,648
52	182,393	—	—	182,393
53	331,396	—	—	331,396
54	184,198	—	—	184,198
55	252,870	—	—	252,870
56	279,189	—	—	279,189
57	261,622	—	—	261,622
958	204,092	—	—	204,092
959	143,917	—	—	143,917
960	199,188	—	—	199,188
961	207,026	—	—	207,026
962	16,741	4,624	—	21,365
963	12,967	29,665	(8)	42,632
964	11,864	30,012	(880)	41,876
965	11,886	17,666	(1,160)	29,552
966	8,456	15,675	(400)	24,131
967	6,385	13,188	(550)	19,573
968	4,902	11,134	(700)	16,036
969	5,273	11,702	(850)	16,975
970	5,047	12,472	(900)	17,519
971	5,843	11,565	(1,400)	17,408
972	5,537	11,627	(730)	17,164
973	6,522	8,667	(630)	15,189
974	5,324	7,928	(1,100)	13,252
975	6,011	10,274	(1,150)	16,285
976	5,110	10,058	(1,490)	15,168
977	4,037	8,041	(1,470)	12,078
978	3,846	8,271	(1,480)	12,117
979	3,512	9,003	(900)	12,515
980	3,988	8,775	(1,010)	12,763
981	4,340	11,093	(1,584)	15,433
982	4,095	9,113	(1,491)	13,208
983	3,614	7,729	(1,105)	11,343
984	3,651	37,323	(2,236)	40,974
985	3,484	21,428	(2,676)	24,912
986	4,660	21,518	(1,536)	26,178
987	6,252	12,706	(1,247)	18,958
988	9,718	27,939	(1,083)	37,657
989	—	—	—	343,854

OURCES: Thomas Ammer, "Stichwort: Flucht aus der DDR," *Deutschland-Archiv* 22 (No-ember 1989), 1207; and Hartmut Wendt, "Die deutsch-deutschen Wanderungen," *Deutsch-nd-Archiv* 24 (April 1991), 390.

substantial throughout the first twelve years of existence of the new state. Significantly, it reached its high point, close to the record of 1989, in 1953, year of the brief and ill-fated June 17 uprising in Berlin. It is not difficult to understand how the failure of this attempt at voice should have led to an exceptionally large exit. But even during the other years of that early period, emigration was substantial in relation to the total population of about seventeen million.

The existence side-by-side of the two German states was a remarkable historical experiment in migration. Here were contiguous territories inhabited by people speaking the same language and sharing a common history and culture. The ease and attraction of moving from East to West were further increased by the Grundgesetz (basic law or constitution) of the Federal Republic of Germany, which stipulated that GDR citizens settling in the West would be automatically eligible to become FRG citizens. As such, they would then be eligible for the considerable range and substantial level of social welfare benefits available in the Federal Republic.

These structural characteristics would normally make for a considerable flow of emigration in response to even small differences in economic and political conditions. In fact, of course, such differences were large, as the two countries were organized according to wholly opposite economic and political principles. Moreover, in the 1950s and 1960s West Germany achieved a rapid and remarkably steady economic expansion, known as the *Wirtchaftswunder* (economic miracle), whereas the East German economy, burdened by reparations to the Soviet Union (rather than benefiting, like West Germany, from the Marshall Plan) and subjected to central planning on the Stalinist model, experienced only a modest recovery from the large-scale destructions of World War II.

The flow of people from the East was large enough to cause concern in the German Democratic Republic. Initially the East German authorities may have shrugged off the "voting with their feet" of many of their citizens and may even have welcomed it. As Fidel Castro felt later with respect to Cubans leaving for Miami, the GDR powerholders probably thought it advantageous to be rid of disgruntled and irreconcilable "class enemies": expropriated landowners, shopkeepers, and other "bourgeois" elements. But soon such complacency would give way to concern and then to alarm: it became clear that in this instance mass emigration was not a "safety valve," a metaphor that had often been rather aptly used to describe earlier emigration experiences. Rather, as it continued, the exodus of East Germans to the West—among them many highly skilled members of the labor force—came to be likened to a life-threatening

emorrhage" that had to be stopped. The building of the Berlin Wall 1961 was intended to achieve this objective.

The Wall did succeed in substantially reducing the outflow. After 961 the statistics distinguish between two flows: first, emigrants who noved to West Germany with the permission of the East German auhorities (*Übersiedler*)—often older people allowed to rejoin younger amily members who had preceded them; second, there were those, less iumerous but still in the thousands, who managed to flee to the West in pite of the Wall and other strict border controls.

Table 1 documents the precipitous drop in the number of total emirants, from around 200,000 per year to an average of 32,000 during the irst five years following the building of the Wall. Thereafter total emiration declined further, reaching its lowest level in the 1970s, when the early average was 15,000. In the 1980s the flow swelled again, particuarly in 1984, when large numbers of long-time applicants suddenly reeived permission to leave. Thereafter, the door was shut once again.

The pressure to leave clearly increased in 1988 and forced the authorties to be less restrictive while the number of unauthorized departures lso rose ominously. Then, in 1989 the gates were simply forced wide pen and the outflow of people soon exceeded the "exodus" or "hemorhage" levels of the pre-Wall period, until, eventually, the Wall came own.

What is actually surprising about the statistics from 1961 up to 1988–9 is the extent to which the Berlin Wall and the assorted draconian order controls were *unable* to stop the emigration. Though much reuced, out-migration remained throughout in the five-digit range—mall in relation to total population, but definitely more than a trickle. s a result, the hope for escape to the West was kept alive year after year y the *actual life experiences* of thousands of exiting people. Both the real migration of large numbers in the early postwar years and the contining hope for exit (including the illusion about its possibility) in later ears help explain the comparatively low levels of voice.

Moreover, in addition to the actual exits to the West, modern comunications technology made possible a vicarious, if temporary, mass scape—via West German television. The East German writer Chrisph Hein makes this point in a 1990 interview precisely in order to plain the weakness of the dissident movement in the GDR:

> [In the GDR we had a difficult task because] the whole people could leave the country and move to the West as a man [*geschlossen*] every day at 8 P.M.—via television. That lifted the pressure. Here is the difference with Poland, Czechoslovakia, and the Soviet Union. There the pressure contin-

ued to bear down *and generated counter-pressure* . . . that's why I always envied the Russians and the Poles. . . . In general, the helpful proximity of the Federal Republic was not helpful to our own development. . . . Here we had no samizdat, as long as we had access to the publishing houses of West Germany.[11]

So much for an exit-centered account of the considerable differenc in resistance to the communist regime in the GDR and its neighbors the Soviet bloc. But I do not wish to claim that differences in the ease exit are the whole explanation. In looking backward, we hardly ev escape the presence of multiple (hence inconclusive) causation. It is ce tainly true in the present case that exit was infinitely more availabl promising, and beckoning in Eastern Germany than elsewhere in Sovie dominated Eastern Europe. At the same time, however, the chances f the emergence of voice in some shape or form were also much small there, for three principal reasons.

First, unlike the Poles, Czechs, or Hungarians, the citizens of the Ea German rump state could not look back on a sheltering history or n tional tradition of their own, nor did they have any established, more less independent institutions (like the Catholic church of Poland) th would sustain them in a struggle for some autonomy from the all-pow erful Communist Party and state. Only at a fairly late stage did the Pro estant church in East Germany take on that function to some extent.[12]

Second, it is likely that many East Germans initially embraced th ideology of the new state for reasons intimately connected with the ca tastrophic historical episode they had just lived through. In addition t the Communist Party cadres and militants who had survived the Na regime and the war, there were those who, having been first seduced an later disenchanted and perhaps appalled by national socialism, eagerl embraced the ersatz ideology or *Weltanschauung* that was now tender to them in the guise of antifascism and "true" socialism.[13] To accept thi new creed meant that they could almost providentially forget the past o

[11] Christoph Hein, *Texte, Daten, Bilder*, ed. Lothar Baier (Frankfurt: Luchterhand, 1990 42.

[12] Full documentation is found in Gerhard Rein, *Die protestantische Revolution, 1982-199* (Berlin: Wichern, 1990); see also Ehrhart Neubert, "Eine protestantische Revolution, *Deutschland-Archiv* 23 (May 1990).

[13] Christa Wolf, who was sixteen years old when the Nazi regime collapsed in 1945, speak of this experience in an interview in 1987–88: "My generation has early on exchanged on ideology for another." See Wolf, *Christa Wolf im Dialog* (Frankfurt: Luchterhand, 1990), 2 In another interview she amplifies this theme: "Today we see—some of us, anyway—th we were in danger of exchanging one salvation doctrine for another; for it is much mor difficult to develop new forms of feeling and thinking than to exchange simply (though th was not so 'simple' either) old articles of faith for new ones" (p. 74). This experience is als re-created in two of her finest novels, *Nachdenken über Christa T.* and *Kindheitsmuster*.

ven atone for it. During the early postwar period this reaction fulfilled cleansing function in East Germany that was the equivalent of the nremitting pursuit of work and prosperity in the West. In the other ountries of Eastern Europe, with their very different histories, the ewly installed communist regimes never held that sort of initial ideo- gical advantage.

Third, and probably most important, East Germany was different om the other communist-dominated countries of Eastern Europe in at it was the front line of the extended Soviet empire in its contest with e West. It was in East Germany that the highest concentration of Rus- an troops and tanks was to be found, and it was there that the Soviet ort- and medium-range atomic missiles were later located. It therefore emed unthinkable that the Soviets would ever permit any loosening of e leash that tied the East German regime to their own. "The more the ay of reunification approached, the greater became the agreement mong the theorists [of politics] about the impossibility, the dangers, and e uselessness of reunification."[14] No one in his or her wildest dreams ver imagined that the Soviet empire would disintegrate from within, e way it did in 1989 (and then again in 1991). Hence, the only conceiv- le scenario for East Germany recovering some freedom of movement as the defeat of the Soviet Union after a nuclear exchange between the o superpowers—a prospect too awful to behold and generally ex- uded from one's field of vision or discourse. The chances for successful ice were accordingly seen as being extremely low in East Germany, r more so than in less strategically situated areas where some relaxation imperial controls was conceivable.

In sum, the direct obstacles to voice, that is, to any political movements resistance or dissidence, were enormous. They must be added to the direct undermining of voice by the real or imagined availability of exit the West. Jointly these direct and indirect restraints on voice produced exit-voice balance that was tilted far more against voice and in favor exit than that prevailing in other Soviet-controlled East European ter- ories, with the already noted result of substantially divergent political havior in East Germany.

Moreover, throughout the forty-year existence of the GDR, authorities ere showed every sign of being fully aware of the basic seesaw pattern exit and voice. This is apparent from their frequent attempts to ma- pulate and exploit it. Particularly after they had substantially reduced it by building the Wall, they realized that they could weaken internal

[14] Günter de Bruyn, *Jubelschreie, Trauergesänge* (Frankfurt: S. Fischer, 1991), 29.

opposition by a selective policy of either permitting certain people to e
or outright expelling critical voices considered to be dangerous or obno
ious. The best-known instance of such conscious manipulation of t
exit-voice seesaw was the withdrawal of citizenship from the satiri
poet and chansonnier Wolf Biermann while he was on tour in W
Germany. This act, done on November 16, 1976, left Biermann unab
to return home. Thus, a critical, ironic voice that was gathering a grov
ing group of enthusiastic admirers was in effect expelled. The bannir
of Biermann gave rise to a rare voice event: twelve of the GDR's mo
prominent writers, artists, and intellectuals signed a declaration protes
ing the official action and asking for reconsideration, and in the follov
ing days the document was endorsed by another hundred signatories.

The episode marked the end of any hope that Erich Honecker, wh
had succeeded the hard-line regime of Walter Ulbricht in 1971, woul
be more tolerant of criticism and dissent. In the following years the au
thorities systematically used forced exit to reduce voice. The special tern
abschieben (pushing out or pushing over the border) came into use t
denote the decision to get rid of certain critics by allowing, encouragin
or obliging them to leave for the Federal Republic. In the caustic fo
mulation of Günter de Bruyn:

> The most creative, most critical or simply most adventurous people moved, often at the risk of their lives, across the German-German border and thereby contributed to the consolidation of stagnation and mediocrity [in the East]. Only when groups of dissidents started to advocate change in the GDR instead of simply leaving it, did the leaders of the country, who had long been aware of the damaging impact of the exodus on the economy, understand that it did contribute to political stability, with the result that they now resorted to Abschiebung as a sedative. In this way they also revealed that the mediocrity of the country matched their own to a fault.[15]

Among the prominent people who were thus pushed out were man
well-known writers (for example, Jurek Becker, Erich Loest, Sara
Kirsch, and Monika Maron), as well as actors (Manfred Krug) and com
posers (Thilo Medek).[16]

In this manner the GDR authorities continuously beheaded opposi
tional groups in their early stages and eliminated dissenting voices *with
out* having to resort to overt acts of heightened domestic repression at

[15] Ibid., 36–37.

[16] Hermann Weber, *DDR: Grundriss der Geschichte, 1945–1990* (Hannover: Fackelträger 1991), 170. This is a good general guide to the history of the GDR; other principal sources of information are the journal *Deutschland-Archiv* and Bundesministerium für innerdeutsch Beziehungen, *Texte zur Deutschlandpolitik*; Christoph Links and Hannes Bahrmann, *Wir sin das Volk: Die DDR im Aufbruch* (We are the people: The GDR is breaking up) (Berlin Aufbau, 1990).

ne of increasing international monitoring of human rights violations. hey also found a way to get rid of many political opponents who did nd in prison: soon after the Wall was built, the GDR systematically old" such people to the Federal Republic, which was willing to pay ood ransom money for them. With the price per head often said to be much as DM 40,000, this conversion of voice into exit became a valu-le source of hard currency for the GDR. As Table 1 shows, this unsa-ry trade peaked in the mid-1980s.

These various forms of manipulating the exit-voice seesaw were at-active to the GDR for yet another reason. The people who were ran-med, expelled, "let go," or cajoled into leaving did not constitute com-act, plotting, and therefore threatening exile communities on the model nineteenth-century Italian or Russian exiles in Paris or London. Those riters and intellectuals who left settled easily in a variety of locations in e Federal Republic; they tended to blend into their new environments d did not maintain much cohesion as an émigré group. In the short rm, the East German powerholders could justifiably feel that their pol-y of selective pushing out was both riskless and effective in reducing nwanted voice.

In the longer run, of course, the policy was to prove disastrous for the rvival of the GDR. The comparison with Poland, Czechoslovakia, and lungary—where there was no exit alternative to speak of—is again in-ructive. Here dissenters stayed put. Even when, as was often the case, ey started out as "deviationists" (that is, as communists unhappy with e party line), they eventually came to occupy a wide spectrum of points f view, from nationalism to liberalism to various social democratic ten-encies. Hence, a pluralistic political discourse could evolve in these ountries after the breakup of the communist regimes in 1989. Not so in he GDR; here most vocal opponents of the regime had been pushed out the Federal Republic, where they had joined the existing political roups and had little interest in returning to the GDR. What dissident oices were to be heard in the GDR in 1988–89 came largely from a arrow band of reform-minded communists that had remained inside e party (SED) and criticized the "really existing socialism" exclusively the name of some "true" Marxism or socialism. As the well-known issident Bärbel Bohley said as late as mid-1989, in comparing the GDR nd Czech situations: "Here change from below is out of the question. . . Too many of those who would be in a position to take on political esponsibility have left."[17] The resulting exit-induced vacuum of leader-

[17] Bärbel Bohley in an interview with Katja Havemann, in Bohley et al., *40 Jahre DDR* rankfurt: Büchergilde Gutenberg, 1989), 184.

ship and of political life explains a good deal about the eventual collapse of the GDR as an independent entity and its easy absorption by the Federal Republic.

Exit and Voice as Confederates: The Collapse of the Communist Regime in 1989

The exit-voice seesaw was a sturdy reality with multiple aspects and extensive consequences throughout the first thirty-nine years of the short life of the GDR. So what happened in the final climactic year of 1989 when the seesaw of exit and voice suddenly turned into a joint grave-digging act?

Before addressing this critical question, I first go back to a remaining puzzle of the previous period. I have argued that, in contrast to the situation in the three neighboring Soviet-controlled countries, exit in the GDR remained a live option throughout the postwar years, whether such exit was a realistic project, a matter of hope and fantasy or a crude stratagem for the authorities. From the point of view of the citizens, nevertheless, the building of the Wall in 1961 represented a considerable shift from exit as a feasible project to exit as hope and fantasy. Would one not expect such a shift to reinforce voice in line with the seesaw or hydraulic exit-voice model?

Some such response can actually be noted. A few critical voices arose, particularly in the late 1960s and the 1970s. As already mentioned, the best-known case was that of chansonnier Wolf Biermann and the ensuing protest of leading GDR intellectuals following his banishment in 1976. But viewed against the sustained oppositional movements in Poland and Czechoslovakia, the absence of a crescendo in criticism or dissent in the years following 1961 was striking. It rather looks as though the brutal repression of exit signaled by the erection of the Wall was also understood as a further repression of voice. Formulated in these terms, the absence of the seesaw in this instance has a certain plausibility. The decision to tear the city of Berlin asunder with a 165-kilometer-long Wall, turning it into two noncommunicating halves, was an extraordinary affirmation of state power that signaled the GDR's general readiness to be more aggressive against "state enemies." In other words, not only did the building of the Wall restrain exit, but it also projected an enhanced willingness to rein in voice. Under the conditions, the increase in voice that might normally be expected when exit alone is curtailed did not and could not occur.

The simultaneous repression of exit and voice in 1961 was to have its unterpart twenty-eight years later, when exit and voice exploded intly and brought down the whole edifice of the GDR. In a first cut, e events of 1989 look like the exact inverse of what happened, or failed happen, after August 1961. The inability of the GDR, starting in the ring 1989, to prevent a large-scale flight of its citizens to West Germany, via Hungary, Poland, or Czechoslovakia, signaled a novel, serious, d *general* decline in state authority. It was thus taken to imply a similar cline in the ability and readiness to repress voice—with the result that tizens started to demonstrate against the regime for the first time since ne 1953. Precisely because the East German regime had made the reession of exit into the touchstone of its authority, its sudden incapacity enforce its writ in this area meant a huge loss of face that emboldened ople to other kinds of transgression.

This account of the collaboration of voice and exit in 1989 follows the nes of reasoning that have already been laid out in the introductory ction. There I suggested that when previously unavailable opportunies to exit are forced open, people may experience new feelings of emowerment. They might then consider or reconsider other options, inuding that of reacting to an odious state of affairs by a direct attempt change—through voice—instead of by moving away from it. This sort f *conjunction* of exit and voice turned out to be exceptionally powerful the German case and took some striking forms. It will now be traced some detail.[18]

Initially, exit played the lead part in the drama. Already in 1988 the ressure to leave the GDR is clearly on the increase, as a record thirtyne thousand people manage to leave as compared with an average enty-two thousand for the three preceding years (see Table 1). As is own in the monthly figures of Table 2, the coming of spring heightens it activity in 1989, particularly after Hungary decides on May 2 to take own the barbed wire fence on its frontier with Austria. This means that ast Germans coming to Hungary as "tourists" can now slip into Austria d then reach West Germany with a much smaller risk of being opped than before. Numerous GDR citizens soon take advantage of is opening, and on August 19, on the occasion of a meeting of the Pan-

[18] The following account is based in part on the sources cited in fn. 16, in part on other blications cited here. See in particular Gerhard Rein, ed., *Die Opposition in der DDR* (Ber: Wichern, 1989); and the *Chronik der Ereignisse in der DDR* (August 1989–May 1990), ition *Deutschland Archiv* (1990). Interviews with Gerhard and Gudrun Rein and with Det Pollack in Berlin in early 1991 were most helpful. In May 1992 I spent several days in ipzig and Dresden and talked with a number of participants in the 1989 events. I am eatly indebted to all of them and in particular to Hagen Findeis in Leipzig.

TABLE 2
MIGRANTS FROM EAST TO WEST GERMANY, 1989

January	4,627
February	5,008
March	5,671
April	5,887
May	10,642
June	12,428
July	11,707
August	20,955
September	33,255
October	57,024
November	133,429
December	43,221
Total	343,854

SOURCES: Harmut Wendt, "Die deutsch-deutschen Wanderungen," *Deutschland-Archiv* 24 (April 1991), 390.

European Union in Hungary, over six hundred East Germans make it to Austria. At the same time, the West German embassies in Budapest, Prague, Warsaw, and East Berlin are filling up with hundreds of East Germans looking for asylum and hoping somehow to be allowed to move to the West.

International and media attention is focused on the human drama and mass flight that is shaping up just as the East German regime is preparing for a Gorbachev visit and the celebration of the fortieth anniversary of its founding. On September 10 the Hungarian government further facilitates exit by officially authorizing all East Germans on its territory to pass into Austria. By the end of September over twenty-five thousand *Ausreiser* (outward-bound travelers) will have taken advantage of this escape route. In the meantime the situation in the embassies becomes increasingly unmanageable, as thousands of refugees keep crowding into them. As a result of high-level talks between the foreign ministers of the two German states, an agreement is reached to transport them by train to West Germany. The one face-saving "concession" obtained by the East Germans is that the trains are routed through its territory, so that the East German state is seen to let go officially and expel its alienated citizens—an insistence that, as will be noted shortly, was to have remarkable unintended consequences. Special sealed trains thus bring some fourteen thousand Ausreiser from Poland and Czechoslovakia to West Germany on October 1, 4, and 5, giving a grotesque cast to the fortieth anniversary celebrations on October 6 and 7. In one more month,

ırked now primarily by ever more massive demonstrations, the Berlin all would come down.

Such, in briefest outline, is the chronicle of exit from the GDR in 1989. t me now try a similarly concise review of the course of voice. As in : case of exit, premonitory signs of future explosions of voice stand out retrospect. From the early 1980s on, the Nikolaikirche, a church in center of Leipzig, served on Monday afternoons as a meeting point "peace prayers."[19] In 1988 these occasions become a rallying point for ısreiser or *Ausreisewillige*—people who wish to leave and are waiting the official permit. On January 15, 1989, an unauthorized silent ırch (*Schweigemarsch*) takes place in Leipzig on the occasion of the entieth anniversary of the assassination of Karl Liebknecht and Rosa xemburg (who had become something of a hero to the counterculture gely because of her saying "Freedom always means freedom for those ıo think differently"); 150 participants are taken into custody by the lice. On May 7 municipal elections are held; when a 98 percent victory the ruling party is announced, unprecedented, widely scattered prots break out against irregularities and forgeries, and 120 arrests are ıde in East Berlin alone. In May–June the regular Monday meetings the Nikolaikirche in Leipzig increasingly turn into protest meetings, th ever larger groups of Ausreiser participating. Even in the presence a considerable police force they often chant their slogan: "Wir wollen ıs" (we want out).

In June, after the Tiananmen Square massacre in Beijing, the Hocker government vows not to give an inch, by declaring its uncondinal solidarity with the Chinese communist regime. But at the same ne, the mass exodus via Hungary becomes widely known. This leads a loss of authority for the GDR, which comes to be referred to derily as *Der Dumme Rest* (= DDR), or "the dumb remainder."

After a brief summer recess the Monday church meetings resume in ipzig, and on September 4 a single shout of "Ich bleibe hier" (I'm ying here) is heard for the first time, in response to the chant ("we nt out") of the Ausreiser.[20] This turns into the collective "Wir bleiben r" (we're staying here) on September 11 *and becomes a rival rallying* According to participant observers, there were a number of meanıs implied: "We're staying so as to make sure that things will not stay hey are"; or "We're staying even though we don't like things here";

For the events in Leipzig, see in particular Grabner (fn. 3); Neues Forum Leipzig, *Jetzt nie. Demokratie* (Munich: Bertelsmann, 1990).

Albrecht Dönert and Paulus Rummel, "Die Leipziger Montagsdemonstrationen," in bner (fn. 3), 149.

7; perhaps not to mar that occasion too badly, police violence remains sporadic. Then, on October 8 a large group of protesters stages a sit-down in a square in the vicinity of the station, and a young priest manages to obtain approval from a police official for the crowd to appoint representatives who will negotiate its demands with the authorities. Delegates are somehow selected, and as they stand up, they are applauded by the seated crowd by way of investiture. Thus is born the Dresden "group of twenty," which actually convenes with the mayor of Dresden the next day and works out concessions that lead to a relaxation of tensions. In the short span of five days, the Dresden crowd will have traveled all the way from a desperate push for exit to organized voice, complete with representation and delegation.

At this stage, Berlin's voice is lagging behind those of Dresden and Leipzig, but on October 7, after the official celebrations, several hundred young people gather on Alexanderplatz and, for the first time there, the slogan "Wir bleiben hier" is heard in response to the initial "Wir wollen raus" of those who simply want to leave. The whole group then marches in the direction of the nearby Palace of the Republic, where Gorbachev and other high-ranking special guests from the "fraternal" communist countries are being entertained. Another widely heard, significant cry is "Gorbi hilf uns" (Gorbi help us) as well as, more simply, "Gorbi, Gorbi."

The watershed event is the next Monday demonstration in Leipzig, on October 9, frequently referred to since as *Schicksalstag*—the fateful day. During the preceding days there are ominous rumors—no doubt officially inspired—of an imminent "Chinese solution." The most widely read daily newspaper, the *Leipziger Volkszeitung*, publishes a virulent declaration by a group of militant communists; the group attacks the "counterrevolutionary actions," which must be "stopped once and for all, if need be with weapons in hand."[27] Stories circulate about hospital floors being emptied of their occupants, in anticipation of a flood of new arrivals, and about supplies of frozen blood being readied. So great is the apprehension that six prominent citizens, including three high functionaries of the SED and the symphony director Kurt Masur issue an urgent appeal for moderation and dialogue among all parties.[28] Then, issuing not only, as on previous Mondays, from the Nikolaikirche, but converging by advance arrangement from three other inner-city churches as well, the biggest demonstration ever takes place on the afternoon of October 9. Some seventy thousand participate in a peaceful march, with the principal shouts being "Wir sind das Volk" and "Keine Gewalt" (no violence). Another slogan expressing the hope for avoidance of violence

[27] Links and Bahrmann (fn. 16), 16.
[28] Neues Forum Leipzig (fn. 19), 82.

is "Widerrede ist nicht Widerstand," which can be translated as "to voice does not mean to resist." For all the tension of the situation on that Monday afternoon, the police do not intervene, no blood is shed—and the authority of the GDR is shattered forever. As one eyewitness put it later: "In the late evening of October 9, the GDR had become something different. This was obvious to all participants."[29]

Thereafter, while thousands continue to flee to the West (the prohibition of exit via Czechoslovakia that was imposed in early October is lifted in the middle of the month), events accelerate and the center of the stage moves to East Berlin. By October 18, the Central Committee of the SED has become sufficiently concerned about the future of the regime and the immobility of the party leadership to force Erich Honecker to resign as secretary and all-powerful government leader. On November 4 the largest voice event on record, a huge protest demonstration with over half a million people, takes place in East Berlin. It is followed in short order by the most spectacular exit event: with the opening of the Berlin Wall on November 9, millions of Easterners cross into West Berlin to enjoy their newly won *Freizügigkeit* (freedom to move).

As in many other demonstrations throughout East Germany, the two principal demands of the November demonstration in Berlin were free elections (more voice) and freedom to travel (free exit). The latter is achieved directly with the opening of the Wall and the subsequent abolition of other border controls. It takes a little longer to organize free elections; they are held on March 18, 1990, with shattering results for the SED.

In the year following the opening of the Wall, the state structure of the GDR disintegrates rapidly. As one East German commentator wryly noted, the famous "final stage of communism" in which the state is supposed to "wither away" is virtually reached in those months during which the GDR, along with its once formidable police, slowly expires.[30] The GDR ceases to exist on October 3, 1990, when its territory is incorporated as five new provinces (*Länder*) into the Federal Republic.

Interpretation

The foregoing account, with its close intertwining and mutual stimulation of exit and voice, may not strike the reader as particularly problematic. It becomes more so, however, when the year 1989 is contrasted with

[29] Christoph Wielepp, "Montags abends in Leipzig," in Thomas Blanke and Rainer Erd, eds., *DDR: Ein Staat vergeht* (Frankfurt: Fischer, 1990), 72.

[30] Friedrich Dieckmann, *Glockenläuten und offene Fragen* (Frankfurt: Suhrkamp, 1991), 205.

the previous thirty-nine-year period. During those years, as shown earlier, exit took place by and large at the expense of voice and was often engineered "from above" for that very purpose. That classical hydraulic pattern still put in a fleeting, if influential, appearance during the 1989 events, when the closing of the Czech border on October 3—the *prohibition* of exit—contributed a great deal to the powerful development of voice in and about the Dresden railway station. But on the whole it was the confluence of the two forces that characterized their interaction in 1989. To appreciate the peculiarity of this situation it is helpful, first of all, to recall a few distinguishing conceptual properties of exit and voice.

Exit—be it the decision to look for and go over to a more satisfactory supplier of goods and services or the decision to emigrate, to leave for a more satisfactory country—is essentially a *private* and also typically a silent decision and activity. One can do it alone: there is no need to talk it over with anyone. Exit is therefore a minimalist way of expressing dissent—one does not act in concert with others and leaves without noise, "under the cover of night." Nobody can exit for you, however: the fact that others exit may influence one's decision to do likewise, but it can never substitute for that decision. Thus exit is not only a private decision; it is also a private good in that it cannot be had through the exertions of others, as a result of some sort of free ride.

The characteristics of voice could not be more different. Voice is typically a *public* activity. Though it does not indispensably require organization, action in concert with others, delegation, and all the other features of collective action, it thrives on it. Voice activities such as petitions and demonstrations are therefore subject to the well-known liabilities of free riding—even though, as I have amply argued elsewhere, these liabilities can on occasion turn into assets.

According to this brief recapitulation, exit and voice have very different impulses and are likely to arise in very different circumstances—they would seem to inhabit quite different worlds. How then did the two come to be so intimately bound up together during the events of 1989?

Now it must be pointed out that exit—experienced in East Germany as departure for the West—initially ran true to the form just described. For example, during the exit wave of 1984, when an unusually large number of requests for emigration, mostly of young people, was granted by GDR authorities, Heinrich Rathke, the Protestant bishop for the province of Mecklenburg, declared: "Precisely in these weeks large numbers of people are leaving us *secretly, softly, and silently*" (*heimlich, still und leise*). At the same time, another pastor lamented the "loss of speech"

of the young.[31] This loss of speech (*Verlust der Sprache*, or *Sprachlosigkeit*, "speechlessness") is also a much noted characteristic of those who left via Hungary or Czechoslovakia in the spring of 1989. Robert Darnton witnessed a silent exit scene near the West German embassy in Prague:

> I was especially struck by a young couple who arrived with a baby in a taxi. The mother stepped out. She lifted a pram from the taxi's trunk, unfolded it, and placed the baby inside. Then she pushed the pram ahead of her, while her husband carried two large suitcases, looking grimly at the embassy door. When they stopped in front of it, she suddenly burst into tears. I nearly did, too.[32]

Others were similarly shaken. Fearing, Cassandra-like, that events might take a disastrous turn, Christa Wolf, the prominent writer, managed to slip into West Berlin for a radio interview with Gerhard Rein on the eve of the October 9 demonstration in Leipzig. It was a last-minute attempt to help avert another Tiananmen Square. She began by speaking at length about the deep distress (*Erschütterung*) she and her friends had experienced during the preceding weeks over the images of so many young people leaving the GDR:

> These last days, in conversing with people, I have always come up against questions that are also my own: Do we really know these young people? Why do they leave so easily? Why are they in part so speechless [*sprachlos*]? Why do they find it so difficult to articulate what they dislike here and what they look for elsewhere? . . . During the last four or five weeks we in the GDR were all dominated by these images, couldn't sleep, were in despair.[33]

Later on in the interview, she lodged an impassioned protest against the official reaction of the SED leadership to the mass exodus:

> There should not be any mockery. No one has the right to come out with this sentence that has been tremendously upsetting for many people, including myself: "We do not shed a single tear over those who leave." [Wir weinen denjenigen, die weggehen, keine Träne nach]. That is awful [*schrecklich*]. It is absolutely awful to say such a thing while forty thousand young people leave our country.[34]

Christoph Hein, another major writer of the GDR, spoke in similar terms as early as mid-September. He too was indignant at the "not a single tear" statement and affirmed, to the contrary, that to live in a

[31] Wolfgang Büscher, "Warum bleibe ich eigentlich? Reaktionen der evangelischen Kirchen in der DDR auf die Ausreisewelle" (Why do I stay? Reactions of the evangelical Church in the GDR to the emigration wave), *Deutschland-Archiv* 17 (July 1984), 684–85.

[32] Darnton, *Berlin Journal, 1989–1990* (New York: W. W. Norton, 1991), 73.

[33] Wolf (fn. 13), 77.

[34] Ibid., 83.

country that is constantly being abandoned by its citizens made him "physically and emotionally sick."[35] Jens Reich, a principal founder of the citizens' movement "New Forum" in September 1989, put it this way: "This out-migration torments [*quält*] us already for many years . . . for various reasons we have lost many friends . . . that was so bitter, this feeling of sitting in the waiting room of a railroad station and everything around you is breaking loose. In the end it was unbearable."[36]

There was something particularly devastating about these *silent, private* exits—they drove some of the more conscientious remaining citizens, such as Christa Wolf, Jens Reich, and Christoph Hein, to a passionate voicing of their concern and despair. It is not too daring a conjecture that we touch here also on the backdrop to a major, still largely unexplained nondecision of these months. Why did the hardest and most rigid communist regime in the East not follow the Chinese example that it had hailed just a few weeks earlier? Why did it fail to defend itself "weapons in hand" (*mit der Waffe in der Hand*) as it had many times boasted it would? Among the explanations that have been offered, the most prominent has been the assumption of a deus ex machina—Gorbachev was thought to have discouraged any such course during his October visit. But I find it plausible that not only Christa Wolf and her friends were devastated by the mass exodus of the summer: the communist rulers themselves may well have suffered self-doubt and a loss of nerve and were in the end unable or unwilling to perpetrate yet another *Schrecklichkeit*.

In fact, Günter Schabowski, the member of the Politburo of the SED who was later to give the signal, perhaps unwittingly, for the breaching of the Berlin Wall on November 9, speaks in his recollections about the exodus in terms quite similar to those of Christa Wolf and Jens Reich: he calls the resulting situation "tormenting" (*quälend*) and "most deeply shaming" (*zutiefst beschämend*).[37] According to his account, moreover, the opposition to Honecker and the other hard-liners that arose within the Politburo in September–October and led to the ouster of Honecker on October 18 had really gotten under way when Krenz and Schabowski agreed to circulate a position paper criticizing the "not a single tear" statement. (The statement had appeared in the party newspaper *Neues Deutschland* of October 2 and was widely attributed to Honecker.) Their position paper stressed, to the contrary, that the exodus was a matter of

[35] Irene Charlotte Streul, "Die Kulturszene der DDR im Aufbruch," *Deutschland-Archiv* 22 (December 1989), 1404.

[36] Rein (fn. 18), 27.

[37] Schabowski, *Das Politbüro* (Hamburg: Rowohlt, 1990), 62.

great concern for the GDR and that every departure must be felt as a loss.[38]

This story provides a first way of understanding how public voice was stimulated by private exit in the fall of 1989, instead of being undermined by it, as had been the case previously. A closer look reveals the sequence of events to be a variant of the usual way exit is supposed to work in alerting "management" to its failings. The normal pattern is as follows: when customers take their business away from a firm or members desert a political party, the managers of these organizations soon become aware of declining sales or other evidence that something is wrong; they then search for the reasons and take steps to repair whatever lapses are responsible for the customers' or members' evident unhappiness.[39] In the case of the GDR, this straightforward feedback mechanism worked very poorly, because the managers of the GDR had inured themselves to it—note the "not a single tear" phrase—and were in general an insensitive and inflexible bunch. But the mass exodus did sufficiently impress, depress, and alert some of the more loyal citizens, those who had no thought of exiting, so that they finally decided to speak out. The mobilization and voice of these citizens can thus be seen as a substitute for the failed response of the GDR managers or as a second wake-up call for them. The normal sequence of events that is supposed to be set off by exit has simply become more roundabout.

The collaboration of exit and voice during the events of 1989 can also be explained by an appeal to the concept of loyalty, as discussed in my book.[40] Here, loyalty was shown to delay exit (as well as voice) when there is a decline in the performance of an organization to which one belongs. In counterpart, when that decline passes a certain threshold, the voice of the loyal members tends to become particularly vigorous. All along, however, I had made the simplifying assumption that at any one time, organizations (families, political parties, nations, and so forth) ordinarily evoke a specific degree of loyalty among their members (or that characteristics such as loyalty have some sort of normal distribution around a specific mean intensity). If we now complicate this assumption and imagine an organization with two very different kinds of members, those with a great deal of loyalty and those with little or none, reactions to deterioration will take two distinct forms: those who are unburdened by feelings of loyalty will be prone to exit, while the loyalists will resort to voice. The former are the Ausreiser, the latter the Bleiber. Although

[38] Ibid., 81.
[39] Hirschman (fn. 1), 21–25.
[40] Ibid., chap. 7.

the concurrent emergence of these two distinct groups could thus have been predicted from an elementary complication of my loyalty model, in fact, the inventiveness of history was needed to suggest the complication and to reveal its importance.

It may look as though the conjunction of exit and voice during 1989 in the GDR has been adequately explained by the two considerations that have just been put forward. In the process, as expected, the theory has already been enriched by the historical events themselves. Nevertheless, the intimate fusion of exit and voice that was so characteristic of the protest movement in the GDR requires further comment.

The real mystery of the 1989 events is the transformation of what started and was intended as a purely *private* activity—the effort of scattered individuals to move from East to West—into a broad movement of *public* protest. How and when did public elements intrude upon the private sphere? How and when did they overwhelm the original intentions of the actors? The answer is contained in the historical account that has been presented. Originally the 1989 Ausreiser conceived their departure from the GDR as a totally private affair: as in 1984, they were intent on leaving *heimlich, still und leise*—in secret, silently, on tiptoe. But these intentions were frustrated by two circumstances: too many people had the same idea, and, as a result of external events such as the relaxation of frontier controls between Hungary and Austria, their moves were too successful to remain secret and private. Pictures of the exodus soon flooded the TV screens, with the result not just of causing established critics like Christa Wolf and Jens Reich to sharpen their criticism but also of making activists out of long-passive average citizens. As a Protestant pastor of Leipzig said in November 1989, looking back on the crucial September events in that city:

> [As] the others fled West, the folks here said: . . . We won't go along [*mitmachen*] any longer. People who are forty-five, fifty, fifty-five years old, who previously never raised a finger, who were totally indifferent, who have perhaps been cussing and saw clearly how everything went to the dogs—they now got worried about seeing their own children waving at them on TV the next day from Prague or Budapest. That's what motivated them.[41]

Exit also ignited voice in another, more direct way. As the Ausreiser themselves converged at key points (border crossings, railroad stations, embassies), they realized they were no longer alone, recognized each other as being of similar mind, and *rejoiced in the community they had*

[41] Rein (fn. 18), 180.

nwittingly forged. The most remarkable episode of this sort was the massive occupation of the Dresden railroad station by would-be Ausreiser oping to board the refugee-laden trains that would pass through. Upon oking at each other and particularly upon being told to clear the station, those erstwhile private Dresden Ausreiser *went public*. The very chant, "Wir wollen raus," turned them instantly from private to public citizens with a common cause. At this point those in the crowd who had no thought of leaving felt obliged to manifest their position in turn: their contrary chant, "Wir bleiben hier," became inevitable, irresistible, as one East German writer put it.[42] Thus private exit turned into public exit, which in turn generated public voice and even organized delegation and negotiation with the authorities—all within a matter of days.

At first the "Wir bleiben hier" chant may have been a mere reflex, a clever linguistic invention, an automatic reply, initially without much content, to the rallying cry of the Ausreiser. Whereas the latter knew exactly what they wanted, namely, "out," those who viscerally disagreed with that solution had no such certainties. Having asserted their will to stay they now had to come up with some good reasons for doing so. Their rallying cry rather slowly and haltingly took on reformist meanings and messages. Perhaps "Wir bleiben hier" was an effective slogan just because of its vagueness and ambiguity—everyone who intoned it could endow it with his or her own content.

This linguistic interpretation of the chant carries considerable conviction. It is actually intermediate between the two earlier interpretations: (1) that the chant had a definite reformist message from the start and (2) that it arose totally by happenstance, initially expressing nothing more than the refusal of demonstrators to obey an order to vacate the Dresden railroad station and was later misunderstood or reinterpreted to assume a broader political meaning.

Seeing "Wir bleiben hier" as a purely verbal reply-reflex to the "Wir wollen raus" of the Ausreiser gains plausibility from the slogan "*Wir* sind das Volk" (*we* are the people) that eventually supplanted the two warring pro-exit and pro-voice slogans. "*Wir* sind das Volk" inherited the ambiguity of "Wir bleiben hier" and was similarly enigmatic and vaguely threatening. So much ambiguity could not be sustained for long, however. In the end, as is well known, a slight variation in wording endowed the Volk motto with a quite concrete and down-to-earth meaning. Just as "Wir wollen raus" led to "Wir bleiben hier," so did "*Wir* sind das Volk" turn into "Wir sind *ein* Volk" (we are *one* people)—a slogan that

[42] Dieckmann (fn. 30), 64.

asked for the merger of the two Germanys and, implicitly, for the obliteration of the GDR.

This outcome is yet another aspect of the 1989 events that must confront my original script and in particular its happy-end scenario. My book had been written with the "constructive" purpose of exploring how exit and voice could help restore or nurture a faltering organization back to tolerable performance and health. Both exit and voice were seen primarily as mechanisms that would "alert management to its failings" after a "repairable lapse." Yet the possibility that an organization might actually fail to recover and instead succumb to the blows inflicted on it by exit and voice (as well as by its own weaknesses) was not entirely ruled out. I had argued that exit and voice would yield the desired constructive results only if they came forth *with moderation*, thereby not only alerting "management" but also giving it the time needed to mend its ways.

For the survival and recuperation of both business firms and political organizations, a "mixture of alert and inert citizens" or customers would be far better, so I argued, "than either total, permanent activism or total apathy."[43] This consideration points to one of several reasons why the combination of massive exit and tumultuous voice in 1989 led to the death of the GDR rather than to its rebirth: that twofold "critique," so long repressed, was simply too devastating to allow for any "recuperation mechanism" to work. Attempts to stay the course were made, notably by the famous November 26 appeal, *Für unser Land* (for our country), which was drafted by Christa Wolf and signed by a group of GDR writers and professionals that included several well-known dissidents.[44] It argued for the maintenance of a reformed but socialist and "humanist" GDR as an autonomous entity—and it proved totally ineffectual. The headlong rush to reunification was not to be halted. Indeed, the extinction of the German Democratic Republic can be seen as the ultimate penalty for the long suppression of both exit and voice.

Conclusion

This is the end of my "essay in conceptual history." I have looked at the GDR and its demise through some special lenses, in hopes of discerning new patterns, significant connections, and improved interpretations. The details of the story are therefore its essence, but two general observations will provide a conclusion.

First, the 1989 upheaval in the GDR represents a reversal of a move-

[43] Hirschman (fn. 1), 24, 32.
[44] Wolf (fn. 13), 170–71.

ment that has been held to be characteristic—disastrously characteristic—of German history. A great deal has been written about the propensity of Germans in various historical circumstances to retreat from the public domain to the strictly private—to the famous (or infamous) *Innerlichkeit*. This movement is supposed to have come all too easily to Germans, particularly when they were confronted with distasteful and repugnant events in the public domain. The idea, often traced to Luther, that the inner, private sphere is something infinitely precious, pristine, and inviolable may indeed have undercut the emergence of the public citizen who assumes responsibility for the political life of his or her community. From this point of view, the story that has been told here provides a welcome counterpoint: it essentially chronicles how many East Germans found the road back from exit and apathy to voice, from withdrawal and purely private reaction to public action. However unintended this movement was initially, it became nevertheless a powerful and successful citizen movement. Thus, it stands in contrast to the many "failed revolutions" as well as failures to resist tyranny that have marked German history since the Reformation. From this point of view it is perhaps to be regretted that language downgraded the movement from "peaceful revolution" to *Wende* (turn) soon after it was over. Strangely, once Germans had finally succeeded in toppling, at considerable risk but without major bloodshed, an oppressive and ruinous regime, they designated the event with a term that almost deliberately understated it. In this they resemble those persons who, on the basis of their past missteps, have a poor self-image and who, confronted by success in some new endeavor, will strain to reinterpret that unfamiliar experience as yet another failure or, at best, as "nothing to write home about." By contrast, Richard von Weizsäcker, Germany's Federal president, showed a better appreciation of the 1989 events, when he said in a recent speech: "With their nonviolent actions, the revolutionaries of the year 1989 have given all Germans a new awareness of liberty. The past is not extinguished in consequence. But a decisive new chapter has been added to our history."[45]

My second point reflects on method. I have attempted to give some shape to the story of the short-lived German Democratic Republic by retelling it in terms of the contrasting categories of private exit and public voice. Such an enterprise runs the risk of making too much of a theoretical construct. In 1909 the French anthropologist Robert Hertz published an article about the extravagant extrapolation of the right hand–

[45] *Frankfurter Rundschau*, December 18, 1991, p. 7. Speech on the occasion of the award to Weizsäcker of the Heine prize for 1991.

left hand dichotomy by language and culture to encompass ever mc basic contrasts, such as right-wrong, good-evil, divine-profane, and forth.[46] *For quite some time, then, we have known about the strang proclivity of the human (or Western?) mind to exaggerate differences, t blow up what Hertz called an "almost insignificant asymmetry" intc unbridgeable binary oppositions—in short, to make socially constructed mountains out of natural molehills. I, too, may have engaged in this pas-*time as I collected conclusive evidence for the existence in many realms of a fundamental antagonism between private exit and public voice. Here the German story of 1989 should stand as a reminder of Sportin' Life's maxim, "It ain't necessarily so"—a principle in theoretical modesty that social scientists disregard at their peril. In some momentous constellations, so we have learned, exit can cooperate with voice, voice can emerge from exit, and exit can reinforce voice.

I noted a number of specific ways where the role of exit turned around in this fashion. The German language has a peculiar gift for compact verbs, such as *umschlagen* and the famous Hegelian *aufheben*, which endow such turnabouts with seeming reality. I deliberately avoided these terms, as they evoke the famous dialectic, the "negation of the negation," and similar mysterious, if preordained, processes that dissolve all contrasts and reconcile all opposites. The longing for such reconciliation is of course the exact counterpart of the inordinate fondness for building up dichotomies that was noted by Hertz.

The events of 1989 were not experienced as stemming from an enigmatic turnabout in the functioning of social processes. Those who lived through them were not troubled at all by the fact that exit and voice now worked hand in glove after having undermined each other for four decades. A problem arises only for the social scientist who seeks a deeper understanding and who, in the course of this attempt, fashions a conceptual framework that initially makes it easier, but subsequently can make it more complicated, to understand what is going on. In that case, of course, our analyst may still come out on top by showing how instructive it is that events should have diverged from the original scheme!

[46] Hertz, "La prééminence de la main droite: étude sur la polarité religieuse," in Hertz, *Mélanges de sociologie religieuse et folklore* (Paris: Alcan, 1928), 99–129. The expression cited in the next sentence occurs on p. 127. The article was originally published in *Revue Philosophique* 68 (December 1909). For an English translation, see Hertz, *Death and the Right Hand*, trans. Rodney and Claudia Needham (Glencoe, Ill.: Free Press, 1960).

THE POLITICS OF NATIONALISM IN QUEBEC

By HUDSON MEADWELL*

INTRODUCTION

THE nationalist movement in Quebec is one of the most powerful national movements in the developed West. It has weathered more successfully the disappointing results of a referendum on the national question than either the Welsh or Scottish nationalist movements.[1] Its efforts to entrench the use of the French language in Quebec[2] have been more successful than the efforts of any other language movement in the developed West, with the possible exception of Catalonia since the transition to democracy in Spain. Nationalists have been able to use the provincial state to weaken the cultural division of labor, which worked in the past to segregate Francophones in lower-status and lower-paying occupations.[3]

Nationalism dominates Quebec politics. Indeed, since the formation of the Parti québécois (PQ) in 1968, one single question has increasingly defined political discussion and action: how much decentralization should govern relations between Quebec and Canada? Unlike most other cases in which movements have produced a single ethnoregional party (for example Scotland, Wales, and Brittany), both the provincial Liberals and the Parti québécois are nationalist parties that differ fun-

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[1] See Edward A. Tiryakian, "Quebec, Wales and Scotland: Three Nations in Search of a State," *International Journal of Comparative Sociology* 21, no. 1–2 (1980).

[2] See Richard Handler, *Nationalism and the Politics of Culture in Quebec* (Madison: University of Wisconsin Press, 1988); William D. Coleman, *The Independence Movement in Quebec, 1945–1980* (Toronto: Toronto University Press, 1984); Marc Levine, *The Reconquest of Montreal* (Philadelphia: Temple University Press, 1990); Michel Plourde, *La politique linguistique du Québec, 1977–1987* (Quebec's linguistic policy, 1977–1987) (Quebec: Institut québécois de recherche sur la culture, 1988).

[3] See Yves Bélanger and Pierre Fournier, *L'entreprise québécoise* (The Québécois enterprise) (Montreal: Hurtubise HMH, 1987); Jorge Niosi, *La bourgeoisie canadienne* (The Canadian bourgeoisie) (Montreal: Editions Boréal, 1980); François Vaillancourt, *Langue et disparités de statut économique au Québec 1970 et 1980* (Language and economic status disparities in Quebec, 1970–1980) (Quebec: Gouvernement du Québec, 1988).

damentally on how much decentralization is desirable. This is a luxury that other movements do not often enjoy.

The case of Quebec is distinguished by the combination of popular support for territorial decentralization and the institutional capacity to translate this support into meaningful political pressure. By contrast, other cases, such as Scotland, have broad support for decentralization but institutional environments that make it difficult for nationalist leaders to use this support to produce political change. Conversely, cases such as the Swiss cantons are characterized by low levels of support for territorial change and relatively high institutional capacity. Finally, there are cases, like Brittany, in which nationalist leaders have neither the significant support nor access to local institutions to mobilize support: hence they must depend on nonnationalist parties to implement parts of their nationalist agendas.

In this article, I examine one central feature of the nationalist movement in Quebec: the ability of its leaders to mobilize popular support for substantial changes—up to and including political independence—to the constitutional status quo in Canada. I focus especially on the period since the Quiet Revolution of the late 1950s and early 1960s. More specifically, I provide an interpretation that accounts for the events following the formation of the Parti québécois in 1968, that is, the pattern of mobilization, demobilization, and subsequent remobilization of the nationalist movement in the late 1980s. Whereas most accounts of Quebec nationalism have proved useful for the initial phase of mobilization and the second phase of decline, the goal here is to construct an explanation that is useful for all three phases and that can also say something about nationalism and political mobilization more generally.

The article is divided into five sections. I first discuss the historical background and consider several influential interpretations of the contemporary Quebec nationalist movement. In the third section I introduce an alternative theoretical argument that focuses explicitly on processes of ethnic nationalist mobilization, and I assess relevant features of the Quebec case, using this model of mobilization as a framework for interpretation. In the final section, I extend this model further to examine the factional politics of nationalist parties and, once again, to assess features of the Quebec case. Finally I discuss the consequences of the failure of the Meech Lake Accord, the package of constitutional reforms designed to make the Constitution Act of 1982 acceptable to Quebec. The accord was adopted by the Canadian prime minister and provincial premiers on June 3, 1987, but was not ratified by all the provincial legislatures.

My central argument is straightforward. (1) The contemporary Que-

bec nationalist movement has moved through phases of mobilization, demobilization, and remobilization. (2) A useful model of mobilization should account for all of these phases. (3) The interpretations of Quebec nationalism considered in this paper do not successfully explain all three phases. (4) A new model can provide a more satisfactory account.

I. Some Historical Background[4]

The institution that defined the character of French Canadian nationalism in Quebec from the mid-nineteenth to the mid-twentieth century was the Roman Catholic church. The population was mobilized by the church around local symbols, with rural life and *la patrie* linked together and glorified as part of a natural community. The church attempted to insulate the flock from social changes perceived as dangerous to the maintenance of the faith and consequently to the power and the position of the church in Quebec. The high clergy had close ties to the European church and closely followed events overseas. Changes associated with the French Revolution—republicanism, anticlericalism—were viewed by the church with great concern. Not surprisingly the insurrection of 1837–38, which was led by an emerging middle class that argued for secular education and a liberal state, was viewed as a "small French revolution."

In fact, the failure of the insurrection marked the consolidation of the position of the church as the principal intermediary between the government and the French Canadian population. From then on, the fusion of faith and nationality preserved boundaries that insulated the church's flock from the influence of the English, Protestant, and industrial world.

Except for a short period following the Durham Report (1841), the Canadian state pursued an accommodationist rather than an assimilationist policy toward French Canadians. The political arrangement underlying confederation gave the church control of the regionally concentrated, French-speaking Catholic population. The federal structure of political authority in Canada was in part a direct consequence of both the French Canadian reality and the decision not to pursue assimilation—a strategy that would likely have been costly, in terms of social programs and of increased social unrest and disorder. Part of the negotiated accommodation was the relinquishment of certain limited powers to the province of Quebec. In return, English Canada retained its control of commerce in Quebec, a necessary feature of the accommodation for

[4] This section draws on Hudson Meadwell, "Forms of Cultural Mobilization: Quebec and Brittany, 1870–1914," *Comparative Politics* 17 (July 1983).

the English Canadian commercial and financial elite, and the Canadian political elite avoided the costs of an assimilationist strategy.

Although it did not attack traditional authority in Quebec, accommodation by the Canadian state nevertheless left the traditional elites more dependent on the structure of local society. Provincial political elites were dependent on Quebec society since their positions were part of the provincial political system. The church's continued existence as an institution depended on its ability to maintain its flock. Since the French Canadian cultural group was concentrated in Quebec, the church's control over it became increasingly linked to the provincial boundaries of Quebec, especially after 1900.

The traditional elite in Quebec was effectively able to control cultural and political resources through the 1940s. The 1950s then brought the emergence of a new political class that contested the local power of the church and the traditional political elite, as well as the co-optive arrangement underlying confederation. The decline of traditional elite control brought with it an end to these co-optive institutions and practices and ushered in a new bargaining relationship between state and ethnic group. The changes in Quebec politics since this Quiet Revolution have been the subject of theoretical debate. In the next section, I discuss the most important interpretations of contemporary nationalist mobilization in Quebec.

II. Other Approaches to Nationalism in Quebec

Let me comment here on three different arguments: internal colonialism, the new middle class thesis, and the capitalist state thesis.

Internal Colonialism

The most powerful class-based interpretation of ethnic nationalism is the thesis of internal colonialism,[5] which locates the cause of nationalist mobilization in the inferior structural position of the ethnic group.[6] The mechanisms that account for nationalist preference are typically some combination of exploitation and injustice experienced by individuals who occupy similar economic positions and therefore share material interests. These structural conditions are linked to nationalist preference

[5] Michael Hechter, *Internal Colonialism* (Berkeley and Los Angeles: University of California Press, 1975).

[6] Internal colonialism is both too strong and too weak an explanation for ethnic mobilization. Too strong, because there are cases with significant nationalist movements that are not internal colonies, such as Catalonia. Too weak, because there are cases with weaker movements that are internal colonies, such as Brittany during the Third Republic.

logical trope of internal colonialism. These arguments typi- :t that support for nationalism will be associated with a stable /ision of labor and will be concentrated among those inferior ı occupational structures.[7] Moreover, the political rhetoric of ı is expected to be couched in terms of "ethnic class."

ological trope has appeared in nationalist discourse,[8] and it nfluence among the 1960s generation of *indépendantistes*.[9] As ses, such as the Basque country in Spain[10] and the peripheries [1] these activists found their model for political action in the ; for national liberation in the developing world.[12] This model ›rtant today among activists or the mass public, including the rking class.

interpretations of Quebec nationalism, which turn on the f a cultural or segmented division of labor,[13] are flawed in . National mobilization cut across class lines in the 1970s and occurred, not when segmentation was stable, but as it was own.[14] As a consequence of this change in the division of la- ɔphone Quebec is no longer dependent on Anglophones to y institutions in the private and public sectors. As the Fran- vision of labor has become more complete, resembling a "pil- than a segment,[15] independence has become a more plausible popular support for it has increased. This development con- important prediction of the internal colonial thesis, namely,

. Ragin, "Ethnic Political Mobilization: The Welsh Case," *American Sociologi-* (August 1979); Eric Leifer, "Competing Models of Political Mobilization: The Ties," *American Journal of Sociology* 87 (January 1980).

lières, *Nègres blancs d'Amérique* (White Niggers of America) (Montreal: Edi- s, 1968).

McRoberts and Dennis Posgate, *Quebec: Social Change and Political Crisis*, 2d McLelland and Stewart, 1980), 144–54.

ıurequin Bereciartu, *Ideología y estrategia política de* ETA, 2d ed. (ETA's ideology rategy) (Madrid: Siglo Veintiuno Editores, 1985), 238–63.

ıfont, *La révolution régionaliste* (The regionalist revolution) (Paris: Gallimard,

ıe other cases, as well, this orientation was associated with the use of violence hich culminated in the kidnapping of a provincial cabinet minister and British '70.

)ofny, "Ethnic Cleavages, Labor Aristocracy, and Nationalism in Quebec," in ryakian and Ronald Rogowski, eds., *New Nationalisms of the Developed West* and Unwin, 1985).

wick, "Social Change and Ethnic Nationalism: An Historical Analysis of the 'ement in Quebec," *Comparative Studies in Society and History* 23, no. 2 (1981); I Posgate (fn.9).

'nted" division of labor refers here to the concentration of an ethnic group in e of activities, while a "pillar" refers to a division of labor in which the group range of activities. See Ronald Rogowski, *Rational Legitimacy* (Princeton: versity Press, 1974); and Hudson Meadwell, "Ethnic Nationalism and Collec- ıeory," *Comparative Political Studies* 22 (July 1989).

that nationalist mobilization is caused by segmentation in a cultural division of labor.

The PQ does have a cross-class base of electoral support that includes substantial working-class support: the trade union movement, for example, has supported sovereignty. In its formative years, the PQ drew support from activists who combined a national project with social democratic goals. Despite the party's shift toward a more liberal economic program, the trade unions have continued to support sovereignty. Their leaders now distinguish between the national and social projects, which provides a rationale for group solidarity when sovereignty seems achievable. Survey research has also shown that individual perceptions of economic domination are related to nationalist support.[16]

Little is gained, however, from viewing these features of nationalist politics through the too narrow optic of internal colonialism. This approach to ethnic mobilization fails to account for two central features of nationalism: its *embourgeoisement* in the 1970s and its remobilization in the late 1980s and the early 1990s.

The New Middle Class

Another approach emphasizes the linkage between an emerging new middle class and support for nationalist politics.[17] It thus explains *embourgeoisement* as follows: nationalism is a strategy that secures a niche in the provincial public sector for this class, which has found upward mobility blocked in the private sector (in large part because of the limited opportunities in the economic sectors controlled by the French Canadians and because of discrimination within the sectors controlled by English Canadians). In this argument, the strengthening of the provincial state must at least be a by-product, if not the central goal, of nationalism. Individuals in the new middle class thus support nationalism because it widens, maintains, and legitimates a niche in the occupational structure that provides them with otherwise unavailable opportunities. The boundaries of the niche, and therefore access to positions, are defined by one's language (and educational background). This tended de facto to restrict entry to French Canadians. All else being equal, the fewer the opportunities in the private sector, the greater the interest in nationalism;

[16] Maurice Pinard and Richard Hamilton, "Motivational Dimensions in the Quebec Independence Movement: A Test of a New Model," in *Research in Social Movements Conflicts and Change* (Greenwich, Conn.: JAI, 1986).

[17] Hubert Guindon, *Quebec Society* (Toronto: University of Toronto Press, 1988); Mary Beth Montcalm, "Québécois Nationalism in Comparative Perspective," in Alain G. Gagnon, ed., *Quebec: State and Society* (Toronto: Methuen, 1984); Gilles Bourque and Anne Legaré, *Le Québec: la question nationale* (Quebec: The national question) (Paris: Maspero, 1979).

and the larger the state sector, the lower the degree of distributive conflict over jobs within the educated subset of the group. This argument emphasizes the private benefits that flow to individuals from the capture of the state.[18]

The argument, however, is also statecentric and downplays the effects of the partisan composition of governments. Public sector expansion in Quebec is not associated with any particular administration or party but rather holds across governments in the post-Lesage period. If the public sector is expanding regardless of who is in office, however, individuals in the new middle class might be expected to be indifferent toward parties on this issue. The argument thus does not provide a consistent theoretical rationale for the prediction that these individuals will be supporters of separatism. Nor has it explained why some are federalist and others *indépendantistes*. (The argument that support for these options is associated with different fractions of the new middle class[19] is neither convincing nor substantiated.)[20]

Further, the argument about the new middle class does not provide a convincing explanation of the different levels and composition of support for independence in the various cases of ethnic nationalism, nor does it provide an account of the mobilization process of *indépendantiste* organizations. The argument does not distinguish between two different propositions: (1) that all or most of the new middle class supports separation and (2) that all or most separatist supporters are from the new

[18] André Breton, "Economics of Nationalism," *Journal of Political Economy* 72 (August 1964); Michael Hechter, "Nationalism as Group Solidarity," *Ethnic and Racial Studies* 10 (October 1987). Survey evidence suggests that the relationship between public sector employment and political preferences has varied over time in the Francophone population. Blais and Nadeau report a positive relationship between public sector employment and support for the 1980 referendum and for the Parti québécois in the 1981 election. Blais and Dion, using a 1985 survey, find no significant difference between public and private sector employees and support for sovereignty. A likely cause of this change was the conflict between the PQ and public sector employees over wage levels in 1981–82. More recently Cloutier, Guay, and Latouche present survey evidence that indicates a sectoral effect on support for independence in the immediate pre-Meech Lake period (spring 1990). This relationship disappears because after the failure of Meech Lake, independence gains more support among private sector employees than among public sector employees. See André Blais and Richard Nadeau, "La clientèle du Parti québécois: évolution de la clientèle de 1970 à 1981," and idem, "La clientèle du 'oui,' " both in Jean Crête, ed., *Comportement electoral au Québec* (Chicoutimi, Quebec: Gaëtan Morin, 1984); André Blais and Stéphane Dion, "Les employés du secteur public sont-ils différents?" *Revue Française de Science Politique* 37 (February 1987); Edouard Cloutier, Jean H. Guay, and Daniel Latouche, *Le virage: l'évolution de l'opinion publique au Québec depuis 1960* (Montreal: Québec-Amérique, 1992).

[19] Gilles Bourque and Nicole Laurin-Frenette, "La structure nationale québécoise" (The national structure of Quebec), *Socialisme québécois* 21–22 (April 1971).

[20] Richard Pelletier, "Nationalisme et étatisme au Québec dans les années 1960" (Nationalism and statism in Quebec during the 1960s), *Canadian Review of Studies in Nationalism* 7 (Autumn 1980), 346.

middle class. These propositions are not equivalent. Most of the middle class may support separatism, but most separatists may still come from other strata. Conversely, few from the middle class may support separatism, but all supporters of separatism may be middle class. The proportion of new middle class supporters in an organization also can be higher than the proportion of this stratum in the broader group and still be only a small part of the organization's support. The most sensible reading of the argument, however, is that there is disproportionate support for separatism within the new middle class and that separatists are disproportionately drawn from the new middle class. If this argument is accurate, support would vary mainly with the size of the new middle class. Level of support across time in one case is thus assumed to depend on changes in the size of this stratum; and cross-sectional differences in support across different cases are assumed to vary with the sizes of their respective new middle classes. Neither of these assumptions is compelling.

Part of the problem is that this argument lacks a theory of the competitive process of political mobilization. Mobilization, for example, is not always precisely defined, and the argument may fail to distinguish between membership, on the one hand, and active participation and electoral support, on the other, in an *indépendantiste* organization.[21] The new middle class thesis assumes, moreover, that relevant cases are located in the developed West. The relevant organizations are nationalist parties that participate in the electoral process; and in several of these cases, nationalist issues have been addressed in referenda. In no case in the developed West is the new middle class of the ethnic group large enough to provide electoral victory, however. Nationalist parties that seek to mobilize broad support must invariably move outside the new middle class. Hence, the new middle class thesis provides no purchase on explaining these processes of mobilization. At best, the argument provides a partial theory for the emergence of activists.

These problems are confirmed in the case of Quebec. The relationship between occupation and different measures of electoral support in the 1970s and the 1980s are summarized in Table 1. The evidence is consistent across different measures, including support for independence and the Parti québécois. Most supporters are not drawn from the middle class, old or new, but come instead from the working class. While the PQ and the independence option do well among intellectuals and other professionals, this support is only a small fraction of overall support. Fur-

[21] The work of Pinard and Hamilton is an important exception. See, e.g., Maurice Pinard and Richard Hamilton, "The Class Bases of the Quebec Independence Movement: Conjectures and Evidence," *Ethnic and Racial Studies* 7 (January 1984).

Class Basis of Support for the PQ and Independence

	Intellectuals	*Other Professionals and Technicians*	*Managers and Proprietors*	*Clerical and Sales*	*Workers*	*Farmers*
A. PQ supporters within classes (1973): Francophones	58%[a]	—	23%	38%	38%	0%
PQ supporters by classes[b]	17%[a]	—	9%	11%	63%	0%
B. Support for independence within classes (May 1980): Francophones	46%	31%	21%	32%	26%	21%
Support for independence by classes[b]	13%	9%	17%	14%	44%	4%
	Professionals and High Managers	*Semiprofessionals and Middle Managers*	*White Collar and Functionaries*	*Semiskilled Workers and Technicians*	*Skilled Workers*	
C. Support for independence within type of employment (April 1990): Francophones (Montreal only)	23%	40%	35%	32%	24%	
D. Support for independence (April 1991)	31%	32%	25%	31%	34%	

Sources: Panels A and B: Pinard and Hamilton (fn. 16), Table 2, Panels 3d. and 2a. Panels C and D: Cloutier, Guay, and Latouche (fn. 18), Table 21.

[a] Includes Other Professionals and Technicians.

[b] Calculated by author from data in Pinard and Hamilton (fn. 16), Table 2. Row percentages may not add up to 100 because of rounding.

ther, support was already coming from all strata very early in the development of the nationalist movement, with the class differentials remaining roughly the same over time. The movement has constantly and gradually gained supporters from all classes.[22]

Furthermore, Pinard and Hamilton show that activists in the movement are not drawn from the new middle class or the state middle class overall but rather are drawn from a specific segment of these classes—the intellectuals. Intellectuals proper make up only 5–10 percent of the Quebec labor force but constitute 50 percent of PQ deputies and 33 percent of the party executive.[23] The party combines an activist base centered around intellectuals with additional electoral support that is located outside of the intelligentsia and, indeed, outside the new middle class altogether. The party must thus be able to recruit in the broader group without alienating its activist base.

The language issue has been so potent a vehicle for mobilization precisely because it can elicit support without alienating activists. Language use combines expressive and instrumental concerns, since language symbolizes elements of collective identity and at the same time is cultural capital[24] that determines access to positions in the public and private sectors. The issue of language provides a basis for broader support without alienating activists. However, the party has been subject to internal factionalism whenever the leadership has sought to increase or maintain its level of support by weakening its commitment to independence.

The Capitalist State Thesis

Another argument emphasizes how the Quebec state has served the interests of Francophone capital.[25] This perspective illuminates issues neglected by the new middle class thesis. It points out that the expansion of the parapublic sector has provided not only employment for the middle class but also the infrastructure for private sector growth. The strengthened Francophone business community, however, has only a limited commitment to nationalism.[26] Paradoxically, then, the conse-

[22] Ibid., 44.

[23] This pattern distinguishes the PQ from the provincial Liberal Party, which had much lower proportions of intellectuals as candidates and deputies in the 1970s. See Maurice Pinard and Richard Hamilton, "The Leadership of Intellectuals in Traditional Parties: Canadian and Comparative Perspectives," in Alain G. Gagnon and A. Brian Tanguay, eds., *Canadian Parties in Transition* (Scarborough, Ontario: Nelson Canada, 1989), 294.

[24] Pierre Bourdieu, *Ce que parler veut dire: l'économie des échanges linguistiques* (What speaking means: The economy of linguistic exchanges) (Paris: Fayard, 1982).

[25] Alain G. Gagnon and Mary Beth Montcalm, *Quebec beyond the Quiet Revolution* (Toronto: Nelson, 1989); Bélanger and Fournier (fn. 3).

[26] Gagnon and Montcalm (fn. 25); Stephen Brooks and Alain G. Gagnon, *Social Scientists and Politics in Canada* (Montreal: McGill-Queen's University Press, 1988), 69.

quence of public and parapublic expansion has been to provide an effective counterweight to any *indépendantiste* coalition. The implication of this line of argument is that the national movement had been demobilized and deradicalized in the 1980s.

This picture is consistent with the broad outline of provincial politics in the early and mid-1980s, when the PQ appeared to have come around to the business point of view in two ways. Their approach to economic management moved away from modest initial attempts at *concertation* to a neoliberal development strategy,[27] punctuated by a series of confrontations with public sector unions in the early 1980s. By the 1985 election the party, led by Pierre-Marc Johnson, also had shelved sovereignty-association. Further, the 1985 election brought to power a Liberal Party even more moderate than the PQ on the national issue and more committed to neoliberalism. Thus, it appeared that neoliberalism and a moderate nationalism went hand in hand. As the PQ softened its stance on sovereignty-association, it changed its economic strategy. And the most moderate party on nationalism was also the most committed to neoliberalism.

Yet the relationship between national and class questions is not this smoothly linear. First, it holds only up to a threshold. There are limits to this neoliberalism. Not surprisingly, the Liberal commitment to deregulation and privatization, expressed early on in the 1985 government, went unfulfilled. Further, while both the PQ and the Liberals now support free trade in the international economy and the lowering of interprovincial trade barriers, they are also committed to the state regulation of economy and culture. In response to international openness and a low birth rate among Francophones, Quebec governments have supported and encouraged immigration into Quebec. They have also sought to devolve as much political responsibility for immigration as possible from the federal to the provincial level. Further, the most important practical justification for the provincial regulation of public language use, especially Bills 178 and 101, has been the importance of presenting a "French face" to immigrants. Thus, the political regulation of culture has been joined to support for deregulation (free trade) at the international level. The industrial strategy of governments has also been statist, and for this reason both PQ and Liberals, as well as segments of business and trade unions, challenged the constitutional proposals of the federal government tabled in September 1991. They argued that the economic project

[27] Richard D. French, "Governing without Business: The Parti Québécois in Power" in Vera V. Murray, ed., *Theories of Business-Government Relations* (Toronto: Trans-Canada Press, 1985).

of the proposals not only sought the deregulation of interprovincial trade but also threatened a more general deregulation of the Quebec economy.

Second, the position of the PQ has changed in ways that contradict this apparent relationship between the national and class questions. In 1987 the *indépendantistes* recaptured the party. The PQ also supported free trade under the leadership of Jacques Parizeau, despite coordinated trade union opposition and some dissension among party activists.[28] Thus, the option of sovereignty-association has become linked to a form of neoliberalism. Further, resistance to sovereignty-association in business has decreased, as will be discussed below. This weakens the capitalist state thesis and is difficult to reconcile with the internal colonial argument, which sees nationalism as the territorial expression of class liberation. More fundamentally, the capitalist state thesis does not account for nationalist remobilization in the late 1980s and 1990s.

Moreover, the mobilizing rhetoric of *indépendantistes*, especially since the failure of the Meech Lake Accord, has been primarily political. Parizeau and Lucien Bouchard, who is the leader of the Bloc québécois in the House of Commons, have emphasized that the Québécois are second-class citizens of Canada and that the constitutional framework of Canada does not allow them to be a part of Canada as Québécois. The symbolism of this politics draws on the collective identity of Francophone Quebeckers and downplays the significance of economic class as a source of grievance. Instead of discussion of "ethnic class" (the argument that Francophones were both culturally and economically exploited), which was part of political debate in the late sixties and early seventies, political rhetoric has now focused on the relationships among political community, citizenship, and collective identity. The constitutional debate in Canada lends itself naturally to this rhetoric; indeed, this language is an integral part of the debate. It focuses attention on shared attributes and concerns among Francophones in Quebec. As a consequence, the nationalist movement is less likely to be fragmented by the kinds of division that would be produced by a rhetorical strategy tied to class. This kind of political rhetoric is a more potent call for solidarity than the rhetoric of internal colonialism in societies such as contemporary Quebec, which have a significant degree of economic stratification, especially when the terms of the broader political debate are not cast in class terms.

[28] For an analysis of the politics of free trade in Quebec, see Pierre Martin, "Free Trade and Party Politics in Quebec," in Charles F. Doran and Gregory P. Marchildon, eds., *Trade and Party: Essays in the Politics of Trade in North America* (Boulder, Colo.: Lynne Rienner, forthcoming).

III. The Politics of Nationalism

There are a number of problems associated with the internal colonial, new middle class, and capitalist state theses. Each is relevant for only a specific phase of mobilization in Quebec since the formation of the Parti québécois, with none adequately covering the politics of the entire period from 1968 to the present. Indeed, each of these arguments was developed to account for changes in the movement. As a consequence, the relevance of each argument is limited. Nor do the arguments, taken together, converge toward an overarching theoretical logic. In this section I introduce a more appropriate model of nationalist mobilization. This model identifies and incorporates the effects of conditions that both enable and constrain mobilization.

Enabling Condition: Counterhegemony

The enabling condition is counterhegemony. Several authors have sug- :sted that ethnic mobilization is easier to accomplish to the extent that aders can fashion interpretations of the situation of the group that build ı structures of meaning embodied in collective identities.[29] Preference ırmation and identity are closely tied together in theories of counter- :gemony. To overcome hegemony, activists may have to resocialize hers to form identities and to recognize their "real" interests.[30] Coun- rhegemony also has an institutional dimension that involves the devel- ›ment of a countersociety and a set of institutions that are an alternative those of the central state, thus contributing to the political self-suffi- ency of the group.

Identity and organization are analytically separate dimensions of ›unterhegemony and have a reciprocal relationship. Identity formation easier to the extent that "organizational encapsulation"[31] is present; in at case individuals are less exposed to cross-pressures and alternative entities. Identity formation legitimates and justifies group-specific or- ınization. Encapsulation and identity formation together create "com- unities of fate," which shape the perception of grievances and facilitate llective action.

[29] Charles Taylor, *Sources of the Self* (Cambridge: Harvard University Press, 1989); Bene- 't Anderson, *Imagined Communities* (London: Verso Books, 1983); Donald L. Horowitz, *hnic Groups in Conflict* (Berkeley and Los Angeles: University of California Press, 1985); tricia Mayo, *The Roots of Identity* (London: Allen Lane, 1974).

[30] Walter L. Adamson, *Hegemony and Revolution* (Berkeley and Los Angeles: University California Press, 1980).

[31] Spencer Wellhofer, "Strategies for Party Organization and Voter Mobilization: Britain, ›rway and Argentina," *Comparative Political Studies* 12 (July 1979).

CONSTRAINING CONDITION: THE TRANSITION TO INDEPENDENCE

The constraining condition is the problem of the transition to independence and the economic viability of the group, if it were to become politically independent. If we distinguish short- and long-term effects on opinion formation, these problems have stable, long-term negative effects on support for independence. These problems set limits on the level of support that is possible, although they are not insurmountable, unchanging, or the same across cases. Finally, the effects of the problems of transition and viability can vary within the group, depending not only on patterns of counterhegemony but also on where individuals are located in economic structures.

This theoretical logic will be summarized in a simple model of mobilization. This model states the consequences of the problems of transition and viability. In this section I emphasize the direct consequences for the mobilization of popular support; in a subsequent section I examine the more indirect consequences for the internal dynamics of nationalist organizations. While this model is not directly estimated, I use it as a framework for the interpretation of empirical evidence. The model also summarizes the theoretical logic independently of the details of this particular case. This helps to make clear that the model is not case specific and in fact can be used for other movements.

The model of mobilization implicit in identity theory is

$$Y = sX \tag{1}$$

where Y is the level of support, X is the number of self-identified collectivists in the group, and s is the efficiency of mobilization. According to these theories, s should be extremely high, approaching unity. Levels of support can be increased essentially through processes of socialization that increase the size of X. Identity theorists have great faith in the likelihood of preference and motivational change in the processes of social interaction and identity formation, which together constitute the socialization process in organizational networks.

This is a robust interpretation of the consequences of collective identity. It may need to be qualified, however. Because of the problems of transition and economic viability, even those individuals whose primary identity is tied to the ethnic group may not support independence. One way to incorporate the constraining effects of risk aversion is to divide X from equation (1) into two subsets. In the first subset the relationship between identity and support is assumed to hold. The size of this subset, however, depends on the extent of risk aversion in the group. In the

econd subset the relationship between identity and support does not iold because of the effects of the extent of risk aversion in the group.

One representation of this constraint on mobilization is:

$$Y^* = qX \quad (2)$$

/here q measures the average level of risk aversion on the unit interval), 1] and Y* represents the size of the second subset defined by risk version. Where q = 0, there is no risk aversion and Y* is empty. When = 1, individuals are absolutely risk averse and there is no support for idependence. Where $0 < q < 1$, the form of equation (2) is:

$$Y = s(X - qX) \quad (3)$$

Theorists of identity would suggest otherwise, that individuals accept ie risks associated with a transition to independence. Collective identity ·ovides the motivational set for social action. These theorists expect that ipport for independence is increased by working to increase the num- :r of self-identified collectivists and by creating the organizational net- orks that can recruit an increased proportion of this group. It is as- imed by theorists of identity that this process of mobilization is in itself solution to the problem of viability. The internalization of collective entity leads individuals to accept the risks of independence because to) otherwise would violate one's identity. This interpretation is consis- nt with the common argument that secession is supported despite the onomic costs,[32] and with the proposition in work on new social move- ents that individuals bear risks when their identities commit them to a iurse of action.[33]

[32] Horowitz (fn. 29), 132. For a more detailed discussion that takes into account the differ- t strategic structures of secessionist movements in the developing world and in the devel- ed West, see Hudson Meadwell, "Transitions to Independence and Ethnic Nationalist obilization," in William James Booth, Patrick James, and Hudson Meadwell, eds., *Politics d Rationality* (Cambridge: Cambridge University Press, forthcoming).

[33] Craig Calhoun, "The Problem of Identity in Collective Action," in Joan Huber, ed., *icro-Micro Linkages in Sociology* (Newbury Park and London: Sage Publications, 1991), ff. As I hope is clear, I am reluctant to accept this interpretation of the consequences of :ntity. I have suggested elsewhere that this argument is quasi-functionalist: identity is eded when the barriers to change are so high that they cannot be surmounted without it. e Meadwell (fn. 32). I think the reasoning here is dubious. There is a further conceptual oblem. I have suggested that institutions and identity are dual moments of counterhege- ony. Much of the discussion about identity proceeds as if collective identity can be identified lependently of the institutional infrastructure of the group. I prefer to think of identity as nply a restatement at a different conceptual level of patterns of group organization and ucturation. Identity then becomes a principle of representation in a symbolic field, rather in an independent cause of, or reason for, action. Perhaps we need two-place predicates it include just institutions and practices, rather than three-place predicates extended to ·lude identity.

ENABLING CONDITION: IDENTITY FORMATION

There is some support for this argument in the bivariate relationship in several cases between national identity and support for independence. The relationship suggests that the higher the degree of identification with the group, the greater the degree of decentralization that is supported.[34] A recent survey in Quebec indicated that 62 percent of Francophones identified themselves as "Québécois."[35] The political consequences of this new identity have been noted in several studies:[36] self-identified Québécois are more likely to support the PQ and less likely to support renewed federalism.

At the same time, however, self-identified Québécois, even when they are strongly attached to Quebec, may still retain a sense of attachment to and identification with Canada. When they do, their support for sovereignty is lower.[37] The effects of Canadian federalism thus run in two directions. Federalism has provided considerable institutional capacity, which has reinforced a distinctive collective identity. At the same time two hundred odd years of shared history and economies have also had an impact.[38] The Québécois do not have the visceral memory of conquest and occupation that motivates Estonians and Lithuanians. Nor is the history of Quebec in Canada marked by a lengthy period of repression in the twentieth century,[39] like that experienced by the Basques or Catalans in Spain. The result seems to be that the consequences of Québécois identity for support for sovereignty are weakened.

These mixed effects of federalism also can be understood historically

[34] Richard Gunther, Giacomo Sani, and Goldie Shabad, *Spain after Franco* (Los Angeles: University of California Press, 1986), 360; Thomas D. Lancaster, "Comparative Nationalism: The Basques in Spain and France," *European Journal of Political Research* 15, no. 5 (1987).

[35] *Le Devoir*, April 9, 1991, p. A3.

[36] Harold D. Clarke, "The Parti Québécois and Sources of Partisan Realignment in Contemporary Quebec," *Journal of Politics* 45 (February 1983); Jon Pammett et al., "Political Support and Voting Behavior in the Quebec Referendum," in Alan Kornberg and Harold D. Clarke, eds., *Political Support in Canada: The Crisis Years* (Durham, N.C.: Duke University Press, 1983).

[37] André Blais and Richard Nadeau, "To Be or Not to Be Sovereignist: Quebeckers' Perennial Dilemma," *Canadian Public Policy* 18 (March 1992).

[38] Richard Johnston and André Blais, "Meech Lake and Mass Politics: The 'Distinct Society' Clause," *Canadian Public Policy* 14 (Supplement, 1989); Sylvia Bashevkin, "Solitudes in Collision: Pan-Canadian and Quebec Nationalist Attitudes in the Late 1970s," *Comparative Political Studies* 23 (April 1990).

[39] This relative absence of repression has meant that one source of grievance, rooted in the reaction to repression, is less relevant in Quebec. In other cases, authoritarian regimes provide a common focus and target that foster a basis for solidarity among diverse kinds of dissent. At the same time, the democratic regime in Canada opens up space for the expression of group identity and nationalist demands. In this pattern, political mobilization in the public sphere is easier, but there is likely greater division within the group over the degree of decentralization to demand.

as a result of the form of political incorporation of French Canadians. There are three central elements of this pattern of political incorporation. '1) The Canadian state was built on the earlier military conquest of the French. (2) The accommodation between English and French was fed-:ralist. (3) Canadian confederation also established a tacit and informal oncordat between the state and the French Canadian Catholic church.[40]

The first element provides the group with a genealogy that harks back o the original settlement of 1608 and to the Conquest of 1760. It marks golden age for the group and points to the interrupted development of n emergent nation caused by defeat and occupation. The combination f (2) accommodation and (3) the tacit concordat devolved some informal ublic authority to the church, which preserved its organizational strucure and its place in French Canadian society and became a key institu-onal support for conservative governments in Quebec. Because the re-gious and national projects were coextensive, the church became an istitutional support for French Canadian nationalism.

Since this informal devolution of authority to the church was embed-ed *in a federal state, political power located in the provincial state be*-ame in the 1950s the locus of activity for a modernizing coalition of ntellectuals, trade unionists, lower clergy, and white-collar professionals. \s a consequence, political and economic modernization in Quebec has een built on a nationalist project that has sought to complete the Quebec tate by devolving powers to it from the central state.[41] This is a distinc-ive feature of nationalism in Quebec. In other cases, by contrast, mod-rnization was controlled and managed by the central state. Very simply, olitical debate in contemporary Quebec has been about the form and lirection of modernization, but very little discourse in this debate has ot been nationalist in some fashion or has not occurred against a nation-list backdrop.

This fusion of nationalism and modernity has produced a familiar

[40] The mixed effects of federalism can also be seen in the Québécois reaction to the failure f the Meech Lake Accord. The symbolic politics of this issue engaged different elements of ollective identity. On the one hand, the failure represented an unwillingness on the part of any Canadians to recognize the distinctiveness of Quebec within Canada. On the other and, it represented to Québécois the rejection of Quebec's contribution to Canada. See Charles Taylor, "Shared and Divergent Values," in Ronald Watts and David Brown, eds., *ptions for a New Canada* (Toronto and Buffalo: University of Toronto Press, 1991).

[41] Gérard Bergeron and Réjean Pelletier, *L'État du Québec en devenir* (The evolving Quebec state) (Montreal: Boréal Express, 1980). There are several interesting similarities between e project of modernization associated with the Quiet Revolution in Quebec and economic odernization in postwar France. Both projects were tied to industrial strategies that were asically statist, growth-oriented, and characterized by increasing sectoral concentration and ipport for superfirms ("national champions"). Both were dependent on policy networks that nked bureaucrats and business. And both projects have involved important changes in forgn economic policy as economic openness came to be accepted in each case.

pattern of state-led economic modernization. *Hydro-Quebec is a perfect illustration of this fusion.* Originally established as a Crown corporation in 1944, Hydro-Quebec broadened its scope by nationalizing private hydroelectric companies in 1963, an initiative led by René Lévesque, then a minister in the provincial Liberal cabinet. In the early 1970s the corporation embarked on a huge hydroelectric project in northern Quebec. This project simultaneously expressed a commitment to industrial growth, greatly strengthened the Francophone engineering and construction sectors, and complemented the theme in French Canadian history and culture of the colonization of the North.

Hydro-Quebec is now politically contested in ways that reveal the tensions within the national project in late modernity. First, ecological concerns are set against the commitment to industrialism expressed in the intention, apparently shared by both Liberal and Parti québécois leaders, to extend hydroelectric development. Second, the rights to self-government of aboriginal communities (Cree, Naskapi, Inuit) of northern Quebec, the populations most directly affected by dam and road construction, are pitted against the provincial Quebec state.[42] It seems clear that the core idea of the national project, which might be expressed as "Québec, un et indivisible," is going to be increasingly difficult to sustain in the 1990s, whether Quebec remains in Canada or becomes independent. The political recognition of difference and diversity will require some modification of this core idea. But the power of the commitment to a unitary identity in the national project is demonstrated by the difficulty some Québécois have had in accepting a nonnationalist vision of an independent Quebec.[43]

[42] The interest in establishing provincial jurisdiction in the North was expressed by a provincial cabinet minister prior to the signing of the James Bay and Northern Quebec Agreement. "The Agreement has enabled us to accomplish two great tasks to which the government committed itself. It enables us to fulfill our obligations to the native peoples who inhabit our North and to affirm finally Quebec's presence through its entire territory." John Ciaccia, *Opening Remarks to the Standing Parliamentary Committee of the National Assembly of Quebec convened to examine the Agreement with the James Bay Crees and the Inuit of Quebec prior to its signature, November, 1975*, in *The James Bay and Northern Quebec Agreement* (Quebec: Editeur Officiel du Québec, 1976).

[43] Martin Masse, "Identités collectives et civilisation: pour une vision non-nationaliste d'un Québec indépendant" (Collective identity and civilization: For a non-nationalist vision of an independent Quebec) (Book manuscript, Montreal, 1991); Jacques Larose, "Crise de glu de la spécificité Québécoise" (Quebec specificity in a trap), in Larose, ed., *La petite noirceur* (The little darkness) (Montreal: Boréal, 1987), 85–91. Quebec is undergoing some of the changes associated with the transition from "old" to "new" politics—to use the stylized language of work on new social movements. The politics of difference plays itself out in interesting ways in Quebec because of the nationalist context. On this transition, see, e.g., Hans Peter Kriesi, "New Social Movements and the New Class in the Netherlands," *American Journal of Sociology* 94 (March 1989); Claus Offe, "New Social Movements: Challenging the Boundaries of Institutional Politics," *Social Research* 52 (Winter 1985).

Viewed from a comparative perspective, Quebec has very high institutional capacity as a result of its pattern of incorporation. For example, neither the Statutes of Autonomy of 1979 for the Basque country and Catalonia nor the "federalization" of Belgium has created a territorial unit with the powers of the province of Quebec. The decentralization and deconcentration of territorial authority in more unitary states such as France or Italy[44] are only minor changes in comparison with the situation in Quebec. Of course, many of these provincial powers have been won since 1867, over the course of more than a century of bargaining with the federal state and in the courts. Moreover, the territorial status quo that was built into confederation from the outset privileged Quebec. Canadian federalism is by far the most important component of this institutional capacity.

It is well known that federalism implemented for the purposes of accommodation or control can be quickly turned to more radical ends when a co-opted elite is replaced or changes its preferences. The Quebec case combines replacement and change associated with the Quiet Revolution. This transition is usually marked by the election of the Lesage government and the creation of provincial departments of health, education and welfare, but this only ended a long period of resistance within the Duplessis regime. The Asbestos Strike of 1949[45] was especially important in politicizing young intellectuals, who constituted an important element of the emerging political class. There was, however, no inevitable relationship between provincial political reform and independence. Reform was also compatible with some form of federalism, and the activists of the 1950s were neither all *indépendantistes* nor all federalists when they entered political life.[46]

[44] Yves Mény, "Decentralization in Socialist France," *West European Politics* 7 (January 1984); Robert Leonardi, Rafaella Y. Nanetti, and Robert O. Putnam, "Devolution as a Political Process: The Case of Italy," *Publius* 11 (Winter 1981).

[45] Hélène David, "La grève et le bon Dieu" (The strike and the good lord), in Fernand Harvey, ed., *Le mouvement ouvrier au Québec* (The worker's movement in Quebec) (Montreal: Boréal, 1980).

[46] In 1949 there was a wildcat strike that lasted five months in the asbestos mines at Asbestos and Thetford. It engaged the attention and support of a group of intellectuals and trade union activists who would later become key players in the French Canadian political class. They included André Laurendeau, an editor at *Le Devoir* in the late 1940s, Gérard Pelletier, the reporter for *Le Devoir* who covered the strike, Jean Marchand, secretary-general of Confédération des travailleurs catholiques du Canada, and Pierre-Elliott Trudeau, who had recently returned from doing graduate work at the London School of Economics and Ecole des sciences politiques in Paris. The strike was a major impetus for the founding of *Cité Libre* in 1950, the forum for a liberal critique of traditional French Canadian nationalism. Another line of criticism, expressed for example by Laurendeau, sought to disengage nationalism from the control of the Catholic church (at least from the conservative elements within the church) and from Premier Duplessis. See Michael D. Behiels, *Prelude to Quebec's Quiet Revolution* (Montreal: McGill-Queen's University Press, 1985).

Federalism has provided the political levers by which the political elite in Quebec has entrenched French language use and changed the cultural division of labor. Governments since Lesage have been unabashedly statist in these areas. The availability of these levers also provided incentives for the formation of a single province-oriented separatist party out of several smaller parties and associations.[47] More generally, it seems clear from other cases that nationalist parties which elect candidates to legislatures in unitary states face a much more difficult task of implementing territorial change. They must be able to take advantage of short-term strategic opportunities to force governments to formulate changes (for example, Scottish and Welsh nationalists in the aftermath of the 1974 election of the Labour government). And they can be weakened when national parties take on board some of their nationalist programs, as British Labour has done with the Scottish National Party.[48]

Federalism also has had a fundamental effect on the self-understanding of Francophones in Quebec. The nationalist movement in Quebec today is "Québécois"; it is not French Canadian. This redefinition of the boundaries of the group now parallels provincial boundaries and is rooted in the geographic distribution of Francophones in Canada and the federal structure of the Canadian state. Thus, political institutional capacity has contributed to collective identity.

Federalism has provided institutional capacity for mobilization within the group and for bargaining with the central state. However, the effects of federalism do not all run in one direction. Another genealogy of the group points to the importance of Quebec as a founding nation of Canada, harking back to 1867 and not to the Conquest of 1760 and emphasizing the protection for the French Canadian nation provided by the British Empire and within confederation. Further, federalism may have provided a set of semiautonomous political institutions, but it does not solve the problem of viability.

Counterhegemony has been an enabling condition for Quebec nationalism. Institution building has also underpinned collective identity in Quebec. However, nationalist mobilization in this case has repeatedly been constrained by the problem of economic viability, and it is to this constraint that I now turn.

[47] The federal Bloc québécois, composed primarily of former Conservative members of Parliament from Quebec, may well be a temporary, unstable phenomenon created by the failure of Meech Lake. The party is unlikely to be able to create an activist base of support where local politics are centered in the province, and it may draw support only as a protest vote. This does not mean, however, that it could not have leverage in a hung parliament after the next federal election.

[48] Jack Geekie and Roger Levy, "Devolution and the Tartanisation of the Labour Party," *Parliamentary Affairs* 42 (July 1989).

CONSTRAINING CONDITION: THE PROBLEM OF ECONOMIC VIABILITY

The historical solution to this problem in nationalist politics has been mercantilism. Economic viability has been closely associated with self-sufficiency, but self-sufficiency has become a less necessary and less attractive economic strategy as economic interdependence has stabilized in the postwar period. Small regional economies can now base economic viability on participation in an open regional or international economy. These changing opportunity structures have influenced the politics of nationalist movements in the developed West, including Quebec.

Jacques Parizeau has argued that increased openness in the international economy would allow Quebec to be politically independent and economically viable. If there were a free-trade area in North America, Quebec could substitute trade with the United States for commercial relations with Canada. Withdrawal from confederation would then more likely be perceived as economically viable, and voters in a future referendum would likely be less sensitive to the costs of independence.[49] Parizeau's argument is the culmination of an evolving position. In 1978, in the context of debate about the meaning of sovereignty-association, he argued that only a customs union with Canada (especially Ontario) was necessary for an independent Quebec. A monetary union was not as essential. By 1981 Parizeau was arguing that the necessity of a customs union with Canada could be rethought and he cited as reason for the reevaluation the lowering of tariffs under GATT.[50] In the aftermath of Meech Lake, however, Parizeau has proposed that Quebec use the Canadian dollar as its currency.

Parizeau's early position was the extension of an argument present in the nationalist movement since the early 1970s, when Tremblay[51] explicitly introduced the idea of a Quebec-American common market into the nationalist debate. There has been interest as well in the experience of Norway and the European Free Trade Area (EFTA).[52] Parizeau's argument certainly opens up Quebec nationalism to the rest of the world in ways that would have been unfamiliar to earlier generations of nation-

[49] Jacques Parizeau, "Interview," in Austin R. Riggs and Tom Velk, eds., *Canadian-American Free Trade: Historical, Political and Economic Dimensions* (Montreal: Institute for Research on Public Policy, 1987).

[50] *Le Devoir*, July 15, 1978; *La Presse*, January 12, 1981.

[51] Réjean Tremblay, *Indépendance et marché commun Québec–Etats-Unis* (Independence and a Quebec-United States common market) (Quebec: Editions du Jour, 1970); idem, "Souveraineté, marché commun, libre-échange" (Sovereignty, common market, free trade), *L'Action Nationale* 81 (January 1991).

[52] Michel Boisvert, *Les implications économiques de la souveraineté-association* (The economic implications of sovereignty-association) (Montreal: Les presses de l'Université de Montréal, 1980).

alists. For them the maintenance of cultural distinctiveness acted as a restriction on the movement of factors of production.[53]

The earlier mercantilist ("conservative") nationalism[54] *had specific implications for behavior: individuals should be willing to pay more for* services and products that were supplied by other members of the cultural group. The preservation of cultural distinctiveness sometimes demanded the subsidization of existing price differentials in the name of investment in the group. Parizeau's position, however, is much closer to the arguments of those French Canadians who opposed "achat chez les notres" (buy at home) in the 1920s.[55]

More recently Parizeau has emphasized the importance of maintaining economic association with Canada after political separation. First, the polls show strong support for sovereignty-association. Second and more important, the necessity of economic ties with Canada was stressed or acknowledged in many of the depositions to the Bélanger-Campeau Commission, including those in support of independence (for example, those made by trade unions). In response, Parizeau emphasized the economic costs to Canada if the federal government were to sever economic ties, and therefore he has discounted the vulnerability of Quebec to federal threats that might arise because of its dependence on Canadian markets.

But not all supporters of independence are free traders. The Quebec labor movement has long been a supporter of independence. It also opposed the Free Trade Agreement with the United States, and its support for a parallel Quebec-American agreement under independence would likely be qualified. The trade unions are willing for the moment to bracket the class question in order to achieve independence. The presentation of the FTQ (Fédération des travailleurs et travailleuses du Québec) at the Bélanger-Campeau hearings was most clear on that point: "We must avoid confusing the constitutional statute and the social project. When sovereignty is achieved, Quebec will in effect be an open political field."[56] The CEQ (Centrale de l'enseignement du Québec) made a similar

[53] Meadwell (fn. 4); Yves Roby, *Les Québécois et les investissements américains, 1918–1929* (The Québécois and American investments, 1918–1929) (Quebec: Presses de l'Université Laval, 1976).

[54] Susan M. Trofimenkoff, *The Dream of Nation* (Toronto: Gage, 1983).

[55] Edouard Montpetit, *La Conquête économique* (The economic conquest) (Montreal: Editions Bernard Valiquette, 1938), 1:63–65; Joseph Levitt, *Henri Bourassa and the Golden Calf: The Social Program of the Nationalists of Québec, 1900–1914* (Ottawa: Editions de l'Université d'Ottawa, 1969), 41.

[56] Assemblée Nationale, Journal des débats, *Commission sur l'Avenir Politique et Constitutionnel du Québec* (Commission on the political and constitutional future of Quebec) (Bélanger-Campeau Commission), November 1990, 3:140.

distinction between necessary and sufficient conditions for economic and social development. Independence provides the political levers, but development depends on the priorities to which these levers are joined.[57] Debates about the social project can be left until full control of local political institutions is achieved.

Nor are all free traders also *indépendantistes*. Francophone businesspersons who wanted access to larger markets have now had this supplied by the federal government through the North American Free Trade Agreement. They need not support an independent Quebec state to gain freer trade, especially since the gains won by Canada in the Free Trade Agreement may not be extended to an independent Quebec. What is interesting about the PQ position is that its support for free trade is in part a strategy of mobilization. It assumes that there is a pool of soft supporters of independence who are averse to the economic risks of transition and statehood.[58] Individuals in this subgroup are predisposed to support independence. If they can be assured that independence is viable, their support will harden.

Some indication of the dual orientations of organized interests (ten business associations and one financial institution [Mouvement Desjardins]) that appeared before the Bélanger-Campeau Commission is provided in Table 2. Five of these associations supported some form of renewed federalism, and four rejected the constitutional status quo but made no specific recommendations. These latter associations tended not to be concerned about the overall structure of the new constitutional regime as long as their corporate interests could be satisfied within it. Their interest in decentralization is a response to federal economic and monetary policies, especially the federal debt, interest rates set by the central government, and the duplication of services. Two others (Union des producteurs agricoles, Mouvement Desjardins) supported sovereignty. Moreover, all associations emphasized the importance of economic ties with Canada. (In the case of Mouvement Desjardins, the economic relationship was acknowledged but not stressed.) In the cases of nonspecific demands for constitutional change, representatives before the commission implied that sovereignty without an economic entente would be unacceptable (for example, "Independence without an eco-

[57] Ibid., December 11, 1990, 18:1261.

[58] This is implied in the way Parizeau places the issue of free trade in the context of a referendum: "Once a free trade area in North America has been set up, no premier of other provinces could come to Québec in the midst of a referendum campaign and say, 'If you vote this way, no commercial deal with us.' I suppose we'd say, 'It really doesn't matter, old boy.' " Parizeau (fn. 49).

TABLE 2
CONSTITUTIONAL POSITIONS AND TRADE POLICY

	Federalist	*Reject Status Quo*	*Sovereignty*
Support for free trade	Conseil du patronat du Québec	Chambre de commerce du Québec	Mouvement Desjardins
	Association Minière du Québec	Association des manufacturiers du Québec	
	Montreal Board of Trade		
No support	Institute des manufacturiers de vêtements du Québec	Coopérative fédérée du Québec	Union des producteurs agricoles
	Association des fabricants de meubles du Québec	Association provinciale de l'industrie ouvré du Québec	

SOURCE: Constructed by author from depositions and hearings of the Commission on the Political and Constitutional Future of Quebec.

nomic link is not recognized by anyone,"[59] and "The reality of the Canadian geographic space must be maintained").[60] These positions imply that either sovereignty with economic union or renewed federalism would be preferable to sovereignty without economic union.

The available evidence that individual businesspersons in Quebec have become more favorably disposed toward sovereignty-association also needs to be qualified. In a survey in early 1991 of "business leaders" in Canada (N = 1,711), 72 percent of the Quebec respondents preferred sovereignty-association to independence, the status quo, or new constitutional negotiations. Only 7 percent wanted full independence without economic ties with Canada.[61] Although the report of the results was sketchy, the commentary suggests that the government's poor perfor-

[59] Deposition from the Coopérative fédérée du Québec (Federal cooperative of Quebec), *Commission sur l'Avenir Politique et Constitutionnel du Québec*, December 11, 1990, 18:1287.

[60] Ibid., December 11, 1990, 18:1297. Deposition from the Association provinciale de l'industrie du bois ouvré du Québec (Provincial association of the woodworking industry of Quebec).

[61] *The Globe and Mail Report on Business*, April 1991. There is some reason for caution because the support for sovereignty-association is likely inflated. The survey polls subscribers to *Affaires Plus*, a business magazine. Not all subscribers are businesspersons, and many may have owned small businesses.

TABLE 3
DESTINATION OF SHIPMENTS OF GOODS MANUFACTURED IN QUEBEC
(PERCENTAGE)

	1974	*1979*	*1980*	*1983*
Quebec	53.1	53.7	54.2	52.9
Canada	31.1	27.4	26.6	27.5
Outside Canada	15.8	18.8	19.2	19.5

SOURCE: *Les échanges de produits manufacturiers entre le Québec et les provinces Canadiennes.*

TABLE 4
QUEBEC EXPORTS TO THE UNITED STATES
(PERCENTAGE OF ALL EXPORTS OUTSIDE OF CANADA)

1974	*1976*	*1979*	*1980*	*1983*	*1984*	*1989*	*1990*
52.5	52.3	56.4	50.6	56.7	63.0	72.2	74.1

SOURCE: Statistics Canada, *Export by Countries*, various years.

mance in economic management contributed to a desire for greater political autonomy. Yet despite this evaluation of the economic program of the federal government, respondents overwhelmingly preferred a customs and monetary union with Canada. The level of support for sovereignty-association also was higher than levels reported for surveys of the Francophone mass public, but the gap between this option and support for independence was much larger for the business sample. (In popular polls, the gap is typically 10–20 percent.) But in another poll conducted in November 1991 of 205 "decision makers" (7 percent women), 38 percent supported political sovereignty with economic association with the rest of Canada, 48 percent supported federalism with greater autonomy for Quebec, 5 percent supported independence, and 3 percent supported the status quo. (Of this sample 83 percent had annual incomes of $75,000 or more.)[62] Business is sensitive to the economic implications of independence. These attitudes are an accurate reflection of the continuing importance of the Canadian market for Quebec (see Tables 3 and 4). Although the evidence in Table 2 is limited,[63] it does suggest that organized business is hedging its bets on sovereignty.

[62] *La Presse*, November 24, 1991, p. A9; *La Presse*, November 23, 1991, p. A2.

[63] Most importantly, this evidence probably does not pick up the full effects of production for the American market. However, four of the associations are large and diversified enough for many of their members to have American markets. A more detailed analysis would take into account the fact that some of these associations are sectoral, while others are multisectoral.

The federalists seem to be in a better position than *indépendantistes*. They can offer business guaranteed access to Canadian markets. This is, of course, an assurance that *indépendantistes* cannot provide. Instead Parizeau (and the representatives of the Union des producteurs agricoles) have argued that economic interdependence between Canada and Quebec precludes the use of the threat of Canadian economic withdrawal from Quebec in any attempts by the federal government to weaken support for sovereignty.

There are, as well, issues other than access to Canadian markets that shape the attitudes of business. Monetary policy (especially the question of a Quebec currency and the possibility and implications of a shared currency with Canada) and the consequences of these arrangements for international borrowing by Quebec governments are also factors. Uncertainty about the transition extends also to the issue of the division of the national debt. Indeed, since the failure of the Meech Lake Accord in June 1990 and especially after the tabling of constitutional proposals by the Canadian government in September 1991, the issue of the transition and the final institutional arrangements between Canada and Quebec, should Quebec separate, have become increasingly politicized. The federal government and supporters of renewed federalism have an interest in taking a hard line, whereas *indépendantistes* have an interest in downplaying the economic costs of transition.[64]

Finally, the current constitutional debate has occurred during an economic recession, which has worsened since June 1990. The unemployment rate is over 10 percent in Quebec province, and it approaches 20 percent in Montreal. Several prominent businesses (including Lavalin, the flagship of the Francophone engineering sector) have declared bankruptcy. Indeed, one trade union leader and *indépendantiste* (Gérald Larose) accused the federal government of fomenting recession to keep Quebec in confederation.

It seems fair to say that the issue of the economic viability of a politically independent Quebec and the possible costs of transition to independence are a constraint on the mobilization of support at the popular level and among organized business. It is a problem recognized by the leadership of the Parti québécois. In the next section, I consider some of the consequences of these economic constraints on mobilization for some of the strategic choices of organizational leaders.

[64] John McCallum and Christopher Greene, *Parting as Friends: The Economic Consequences for Quebec* (Toronto: C. D. Howe Institute, 1991).

IV. Independence, Decentralization, and Viability

Equation (3) shows when the problem of viability establishes an upper limit to support for independence. Taking into account the effect of risk aversion is then the only way for a nationalist organization to increase its support in the cultural group. In seeking to mobilize support among risk-averse individuals, however, the organization may lose support among collectivists who are not risk averse. Thus, there is a trade-off between gains and losses in the two subsets when the organization changes its political goal from independence to decentralization. Regionalism will mobilize more supporters than will independence when this trade-off is relatively low. Under these circumstances, there should be recurrent conflicts within nationalist parties over the kinds of concessions to be made in exchange for electoral success.

Consider the case when the group is divided into two subsets: those who support the organization and those who do not. By construction, those who are supporters accept the risks of independence. By hypothesis, the reason for this is that to do otherwise would violate their identity. Those who do not support independence do not accept the risks of independence. Suppose, further, that the actual level of support is lower than the support preferred by the organizational leadership. For my purposes, the reasons for the gap between actual and preferred levels of support are less important than the gap itself. When there is a gap, however, leaders can recruit support in the second subset. In other words, the organization has a core base of support (Y) and may build on this base by recruiting outside Y. Its level of support in these circumstances can be represented as

$$\tilde{Y} = \hat{Y} + aY^* \qquad (4)$$

where a is the relative efficiency of mobilization in Y^*, $\tilde{Y}$ is simply the level of combined support from the two subsets, and $\hat{Y}$ is the level of support in Y after recruitment in Y^*.

Two features of the model and of equation (4) remain to be demonstrated. The first is the effect of recruitment in Y^* on the level of support in Y. The second is the extent of recruitment in Y^*. Both come down to specifying linear equations for $\hat{Y}$ and Y^* that are consistent with (4).

Support in Y^* under a program of independence is impossible, because individuals in Y^* are averse to the risks of independence. The organization must modify its program in order to recruit in Y^*. As it modifies its program, however, the organization may lose support

among the individuals in Y. Therefore, any gains in Y must be discounted by a parameter d.*

$$\hat{Y} = sY - dY^* \qquad (5)$$

According to equation (5), the only costs to a strategy of recruitment in Y* are the supporters lost in Y. As it stands, however, this model represents recruitment when support is all of one kind—whether, say, votes, membership, turnout for street demonstrations, or financial contributions. It must be modified for organizations such as political parties that can be constrained by their internal structure in ways that are not picked up in equation (5). This equation represents the recruitment function for an office-seeking leadership that will accept as many votes in Y* as are needed for electoral success. But in some circumstances leaders will pay a price if they seek to increase their support in this way. When activists prefer some constraint on mobilization in Y*, the result of office seeking in the electoral arena is intraorganizational conflict that weakens the activist base and the mobilizational capacity of the party.

When leaders do not enjoy autonomy from party activists and leaders and activists have different preferences over recruitment in Y*, external (electoral) and internal (organizational) strategies are interdependent. Leaders may not pursue their opportunity in Y* because of the cost of this move within the party.[65] When we consider the mobilization of support in Y*, a parameter, k, takes this set of issues into account and represents how deep into Y* the leadership is able to go.[66] We can consider k as a parameter set by internal party debate between purists and pragmatists. Purists prefer not to recruit support outside of Y. Pragmatists are willing to recruit in Y*. These preferences can be treated as preferences over the proportions of total support drawn from these two subsets. The parameter represents the result of bargaining within the party over the appropriate mix of supporters. When $k = Y^*/Y$, leaders are relatively unconstrained in their move to Y* when $k \geq 1$. As k approaches zero

[65] George Tsebelis, *Nested Games: Rational Choice in Comparative Politics* (Berkeley and Los Angeles: University of California Press, 1990).

[66] I have not discussed the consequences of varying levels of difference between Y and some preferred level of support. So I would argue that the model can hold at different levels of difference. The recruitment history of the organization and the history of the stability of political preferences in the group may be more important than the size of the difference. Even when the gap between Y and some target level of support is large, purists may resist ideological change (and carry the day within the organization) when the history of the group is punctuated by periods of preference volatility and dealignment. When the gap is small even purists may tolerate some recruitment based on the modification of the political program, when the organization has had a relatively constant level of support for some time and the group has demonstrated relatively stable political preferences.

leaders are increasingly constrained. It follows from the definition of this parameter that the level of support in Y* is

$$Y^* = kY \quad (6)$$

Support in Y* varies also with the efficiency of mobilization, so

$$Y^* = a(kY) \quad (7)$$

Equations (5) and (7) can be used to determine the levels of support[67] in $\hat{Y}$, Y* and the total level $\bar{Y}$.

The factionalism within the Parti québécois is consistent with this model of mobilization. Tactically, there were early differences over the timing of separation from Canada: whether all at once or in stages.[68] There have been recurrent conflicts within the party over the kinds of concessions to be made in exchange for electoral success. These are very common issues in nationalist movements once nationalists decide to contest elections.

Sovereignty-association is the strategy that the Parti québécois devised in anticipation of its electoral dilemma. It is certain that support for sovereignty-association is higher than for independence.[69] The commitment to sovereignty-association in the early 1970s was a recognition of electoral reality. Activists in the PQ have supported a greater degree of decentralization than has the rank and file, and this created electoral incentives to modify the program of the party in order to increase support. Survey research indicates that there has been a gap between the preferences of activists and the average individual in the group. In 1962 support for independence was 8 percent among adult French Canadians. By the election of 1976 it had grown to 20 percent, and by prereferendum 1980 to about 25 percent.[70] Support for sovereignty-association, moreover, is higher than for independence, and support for sovereignty declines when the economic association is in doubt. This holds even in the post–Meech Lake period.

Moreover the most important change in the platform of the PQ occurred when its leader, René Lévesque, overruled the resolution of a party congress in June 1984 that a vote for the PQ in the next provincial

[67] This result assumes no protest vote for the party in Y*. This could be taken into account with no loss in generality.

[68] Vera Murray, *Le Parti québécois: de la formation à la prise du pouvoir* (The Parti québécois: From formation to the seizure of power) (Montreal: Hurtubise: HMH, 1976).

[69] Richard Hamilton and Maurice Pinard, "The Quebec Independence Movement," in Colin H. Williams, ed., *National Separatism* (Vancouver and London: University of British Columbia Press, 1982), 219. See also the comprehensive review of polls and survey results in Cloutier, Guay, and Latouche (fn.18).

[70] Hamilton and Pinard (fn. 69), 211, Table I.

election was a vote for independence. Seven provincial cabinet ministers and many activists resigned. When Pierre-Marc Johnson and the moderates took over the party in late summer 1985, the PQ moved away from sovereignty-association and toward "national affirmation," a program that was deliberately ambiguous so as not to imply a commitment to political independence. "National affirmation" implicitly represented a decision to change the relative proportion of supporters drawn from outside the core, *indépendantiste* constituency of the party.

As was seen with such other parties as the Scottish National Party in the 1980s[71] or the Parti Autonomiste Breton in the 1930s,[72] factional conflicts of this kind usually worsen after perceived popular defeat on significant issues. Purists will consider the decision to participate as premature and will want to retreat from a moderate position. Pragmatists will blame the platform of the party as still too extreme, and they may want to move to an even more moderate position. In the case of the Parti québécois, the referendum failure and electoral defeat in 1985 lowered morale and increased mutual blame among both hard-liners and soft-liners, pushed the leadership to table sovereignty-association, and thus alienated more fundamentalist activists and leaders. They left the party and only returned to help oust Pierre-Marc Johnson in 1987.

V. The Meech Lake/Langevin Accord

The current state of constitutional debate in Quebec and Canada is a result of the failure to ratify the Meech Lake Accord. This agreement was signed by the first ministers (the Canadian prime minister and provincial premiers) in June 1987. Ratification required legislative approval by all provincial legislatures and by the federal parliament within three years. The provincial legislature of Manitoba did not ratify the accord by June 1990 (and ratification by the legislature of Newfoundland was rescinded when Clyde Wells became premier), and the agreement became null and void. This failure had momentous consequences for Quebec: it strengthened the political position of *indépendantistes* and weakened the position of Quebec federalists.

The origins of the Meech Lake Accord, however, lie in the constitutional negotiations that led to the Constitution Act of 1982. This act, in turn, has at least its proximate roots in the period leading up to the Que

[71] Roger Levy, *Scottish Nationalism at the Crossroads* (Edinburgh: Scottish Academic Press 1990).

[72] Hudson Meadwell, "Nationalism and Rationality" (Manuscript, McGill University 1993).

bec referendum on sovereignty-association in 1980. The referendum asked voters to give the provincial government "the mandate to negotiate" a proposed agreement between Quebec and Canada that

> would enable Quebec to acquire the exclusive power to make its laws, administer its taxes, and establish relations abroad—in other words, sovereignty—and, at the same time, to maintain with Canada an economic association including a common currency. Any change in political status resulting from these negotiations will be submitted to the people through a referendum.

While there has been considerable rhetorical maneuvering around the meaning of this arrangement, it has two core components. The first is the political independence of Quebec. This has meant minimally that no directly elected national parliament would have powers to tax and regulate.[73] The second component is a continued economic relationship between Quebec and Canada. Exactly what this relationship would be and how it might be negotiated are key issues in Quebec-Ottawa gamesmanship.

Speaking four days before the referendum in Montreal, Pierre Trudeau promised "renewed federalism" if the referendum was defeated.[74] This promise was made against the backdrop of constitutional negotiations in the late 1970s in which the federal agenda for constitutional change emphasized patriation (according to which the formal power of constitutional amendment still resided in the British parliament) and procedures for constitutional amendment. The division of powers in social policy, communication, and immigration was to be settled later through federal-provincial agreements rather than through formal constitutional reform.[75] The Parti québécois, in power in Quebec in 1976, opposed this sequential approach because it hoped to trade support for patriation for concessions on division of powers. It would not accept any agreement to patriation on the promise of later concessions. The decision to hold a referendum was designed to demonstrate popular support in Quebec for fundamental constitutional change, a demonstration that could be used in later negotiations.[76] A referendum, though a calculated gamble, was considered a less risky way to mobilize support than an

[73] Patrick Monahan, *Meech Lake: The Inside Story* (Toronto and London: University of Toronto Press, 1991), 267.

[74] Ibid., 20; Pierre Fournier, *A Meech Lake Post-Mortem*, trans. Sheila Fischman (Montreal and Kingston: McGill-Queen's University Press, 1991), 4; Thomas J. Courchene, "Forever Amber," in David E. Smith, Peter MacKinnon, and James C. Courtney, eds., *After Meech Lake: Lessons for the Future* (Saskatoon, Sask.: Fifth House Publishers, 1991), 33.

[75] Gagnon and Montcalm (fn. 25), 158.

[76] Alan C. Cairns, "The Charter, Interest Groups, Executive Federalism and Constitutional Reform," in Smith, MacKinnon, and Courtney (fn. 74), 16.

election.[77] *The referendum was defeated: 60 percent voted against, an it did not receive majority support even among Francophones.*

After the referendum Trudeau began the "patriation round" of con stitutional talks. He initially threatened unilateral repatriation after dis cussion with provincial premiers ended without agreement in September 1980. This initiative was challenged in the courts by Manitoba, Quebec, and Newfoundland. *In* September 1981 the Supreme Court held that *there was a constitutional convention requiring* "a substantial degree of provincial consent" in the patriation of the constitution but that observance of the convention was not "legally required."[78] This mixed decision created incentives for both the federal and provincial governments to reopen discussion. Debate developed around two proposals. The proposal of the central government (also supported by Ontario and New Brunswick), described by one observer as a "nation-building offensive,"[79] sought to include a Charter of Rights and Freedoms in the patriated constitution. The principle of the charter is antifederal and nonterritorial.[80] Its language recognizes individual rights and social pluralism, a discourse that runs counter to the Canadian federal tradition of provincial governments representing territorial identities. The other proposal supported by the remaining provinces (the "Gang of Eight") sought to maintain provincial power by eliminating the charter and by instituting an amending formula that provided for provincial withdrawal, with financial compensation, from transfers of power to the federal government.[81]

Since Lévesque came to the bargaining table already weakened by the referendum, the common front he formed with the other provinces cost him several concessions.[82] He consented to patriation with an amending formula without a concomitant agreement on division of powers. He also dropped his demand for a Quebec veto on constitutional amendments Quebec, however, had a distinctive preference with regard to constitu

[77] Gagnon and Montcalm (fn. 25), 159.

[78] Peter H. Russell, Rainer Knopff, and Ted Morton, *Federalism and the Charter* (Ottawa Carleton University Press, 1989), 708.

[79] Guy Laforest, "Interpreting the Political Heritage of André Laurendeau," in Smith MacKinnon, and Courtney (fn. 74), 104.

[80] Cairns (fn.76).

[81] The 1982 Constitution Act allowed withdrawal with compensation only with respect t eduation and "other cultural matters." The Meech Lake Accord would have extended thi possibility to all jurisdictional transfers from the provinces to the federal government. Loui Imbeau, "Voting Games and Constitutional Decision: The 1981 Constitutional Negotiatio in Canada," *Journal of Commonwealth and Comparative Politics* 28 (March 1990), 93.

[82] For Quebec's point of view on the November 1981 constitutional talks, see Claud Morin, *Lendemains piégés: du referendum à la nuit des longs couteaux* (Ambushed future: Fro the referendum to the night of the long knives) (Montreal: Boréal, 1988).

tional change. If both proposals failed, Lévesque could return to Quebec and claim that no agreement with the federal government or the other provinces was possible.[83] But the other provinces in the Gang of Eight preferred patriation to the status quo. Their sticking point was the charter, although they were under a great deal of pressure to accept one. Trudeau had managed to present the federal proposal as the "people's package," which left the premiers in an awkward political position. Their rejection of the charter could have been taken as a rejection of popular principles. There was also the possibility that Trudeau might proceed unilaterally, despite the political cost, leaving them with no influence in the patriation package. When they were offered a "notwithstanding clause" (legislative review of judicial review), which provided a legislative override with respect to certain provisions of the charter, the common front fell apart. As a result, the Constitution Act of 1982 was not signed by Quebec, although it was legally binding within the province. This set the stage for the Quebec round to "bring Quebec back in."

Two features of the Act profoundly affected the ability to include Quebec. The first was the entrenchment of the Charter of Rights and Freedoms. This institutionalized a nonterritorial principle in constitutional politics, although the political consequences of entrenching this principle were largely unanticipated at the time of signing. The second was the amending formula. Depending on the amendment, it required the consent of seven or ten provinces and ratification by provincial and federal legislatures. It also established a three-year time limit for ratification of certain amendments.

The Quebec round really began after changes in government at the federal level and in Quebec. The Liberals and Trudeau were replaced by the Conservatives and Mulroney in 1984; the Parti québécois was defeated by the provincial Liberal Party and Bourassa in 1985. Bourassa's room for maneuver, however, was very limited. No Quebec government could sign the Constitution Act as it stood and maintain popular support. Yet a constitution without Quebec's consent was also unacceptable, in

[83] This point needs more discussion than can be provided here. One interpretation suggests that the Gang of Eight broke apart because Quebec had no sincere interest in an agreement. When the other provinces in this group had an opportunity to make a deal that would produce an agreement, they took it because they preferred a deal to no agreement at all. Another interpretation suggests that Quebec had a sincere interest in the proposal of the Gang of Eight but was unable to convince the others of their sincerity; Imbeau (fn. 81). The argument for insincerity on the part of Quebec in the first interpretation is the argument for uncertainty among the other provinces in the second interpretation. Both depend on the fact that the Quebec government supported sovereignty-association. This can account for both why they were insincere, preferring no agreement at all, and why it was difficult to convince others that they were sincere.

part because amendments to it, especially with regard to aboriginal issues, were close to impossible without Quebec's participation. At the same time, Liberal participation in negotiations was risky. If negotiations failed because the demands of Quebec were not accepted by Ottawa or the provinces, the arguments of *indépendantistes*—that no agreement was possible—would be reinforced. If negotiations succeeded because of concessions by the Quebec Liberal government, the provincial Liberals would have great difficulty selling an agreement in Quebec. The Liberals opened in 1986 by presenting a list of minimum conditions, which were consistently described by Liberal leaders as a final, rather than a negotiating, position.[84]

The Meech Lake Accord of 1987 extended to Quebec constitutional recognition as a "distinct society," control over candidates for the Supreme Court and Senate, the right to opt out of national shared-cost programs, constitutional recognition of bilateral Quebec-Ottawa agreements on immigration, and a limited veto over constitutional amendments.[85] However, the accord, which was not ratified within the three-year time limit,[86] foundered on three kinds of opposition in Canada, all of which "had developed a political allergy to activity organized around French-English lines":[87] supporters of provincial equality, interests institutionalized in the charter since 1982, and aboriginal peoples.[88]

The failure of Meech Lake has had dramatic consequences in Quebec, and any discussion of nationalist politics and mobilization must take them into account. With regard to the PQ, the changes in public opinion since Meech Lake have had the important consequence of decoupling the party's internal and external strategies. The party has not had to confront internal dissent because of its programmatic position, nor has it had to change its program to increase support. Polls and surveys since the failure of the accord have shown both an increase in support for

[84] Monahan (fn. 73), 26.

[85] Since this limited veto arose in a section expanding the number of items requiring unanimous consent, it meant that the other provinces would have had the same veto as Quebec.

[86] The likelihood of ratification declined sharply in December 1988, when Bourassa used the notwithstanding clause to override a Supreme Court decision that held that provincial legislation on public language use violated the Charter of Rights and Freedoms.

[87] Monahan (fn. 73), 27.

[88] The aboriginal peoples are now key participants in Canadian constitutional politics. Generally, they opposed both the "distinct society" definition of Quebec in the absence of similar recognition for their communities and the language of the accord that referred to French- and English-speaking Canadians as "a fundamental characteristic of Canada." They have also exploited the use by Quebec of the right to self-determination as a legitimating convention by broadening the extension of this right to their communities. Aboriginal politics played a very direct role in the failure of Meech Lake. In the process of ratification in Manitoba, the government needed unanimous consent in the legislature to hold a series of public hearings. A native member of the provincial legislature voted against the motion to send the issue to a committee for public hearings.

independence and sovereignty-association and a continuing gap between the two. In June 1990, 57 percent of Quebec residents (63 percent of Francophones) were somewhat or very favorable to Quebec sovereignty; 40 percent were somewhat/very favorable to Quebec separation.[89] In mid-November of the same year 66 percent had similar attitudes toward sovereignty; 58 percent supported Quebec independence.[90] A more recent survey indicated that 52 percent of Quebec residents (61 percent of Francophones) support sovereignty even without a political association; 64 percent (71 percent of Francophones) support sovereignty-association.[91]

These results, however, overstated the support for some form of sovereignty because of the way the question was posed. When respondents were asked, not whether they did or did not support a single option, but to choose between options, support for sovereignty-association dropped to 37 percent of Quebec residents, for outright independence to 10 percent, for the status quo to 16 percent, and to 36 percent for a federal structure with strengthened provinces.[92] Nevertheless, these results were consequential, and the change left the provincial Liberals scrambling to find some room for political maneuver. At the time federalism was electorally less viable than before Meech Lake, and the Parti québécois already occupied the more extreme position on the issue of territorial change.

Much of the jostling for position by the PQ and the provincial Liberals, however, seems to have been premised on the fear or hope that the changes were temporary. The goal of the Parti québécois and the Bloc québécois was to transform this conjunctural change into an enduring advantage. They argued for an early referendum on independence.[93] Lucien Bouchard, for example, had at one point threatened to force the government's hand by mobilizing protest demonstrations in the early spring and summer of 1990 in support of a 1991 referendum. Bourassa attempted to buy time and to delay the referendum, expecting that public support for independence would decline to a level that made some form of renewed federalism a politically feasible Liberal policy.[94]

[89] *La Presse*, June 21, 1990, pp. A1–A2.
[90] Ibid., November 26, 1990, pp. A1–A2.
[91] *Le Devoir*, April 6, 1991.
[92] *Globe and Mail*, April 22, 1991, pp. A1–A5.
[93] Bourassa is required to hold a referendum by October 26, 1992, and must table a question in the National Assembly by September 9, 1992, either on Quebec sovereignty or constitutional offers from the rest of Canada. A postponement would require debate and a vote in the National Assembly. It is clear that Bourassa would prefer a referendum on constitutional proposals from Canada.
[94] However, as the recession deepened since the failure of Meech Lake, Parizeau acknowledged in an interview in the late spring of 1992 that he would prefer a referendum "in a year or two," because he expected the Quebec economy to be in an upturn by that time. He was

The failure of the Meech Lake Accord has affected two central parameters of the model of mobilization I outlined earlier. First, the constant (sY) in equation (5) is larger after Meech Lake. And Y* in (6) is larger because Y* is directly dependent on the value of Y. This is illustrated in Figure 1. This suggests that the PQ, as the core *indépendantiste* organization, has mobilized new support among supporters of independence who were not politically active or sympathizers who were previously held back by risk-averse attitudes and also among federalists who took a more radical position after Meech Lake.

The changes in attitude that moved public opinion toward the position of the PQ obviously have left the party in a much stronger position. It has gained support without having to modify its program of sovereignty-association. As a result, the party has maintained support among those who might have abstained if it had changed its program. And at the same time the party has maintained its organizational capacity and activist base because it is less dependent on recruitment outside its constituency of sovereignists and thus can avoid the organizational costs (factionalism, resignations) associated with such recruitment. Instead, it has been the Liberal Party that has experienced factionalism.

Attitudinal changes have weakened the position of the provincial Liberal Party and have provided the party with incentives to move away from a federalist position. These incentives have in turn created factions. Divisions on the national question are not new among provincial Liberals: Paul Gouin formed Action liberale nationale in 1934; Lévesque left the party in 1967. Bourassa tried to placate activists dissatisfied with federalism by providing them with a party forum—the Allaire Committee and the report it subsequently produced. He also tried to satisfy federalists in the party by delaying the referendum on sovereignty. At the same time there is a narrow range of maneuverability available to Bourassa; if he can exploit it, he may actually be able to strengthen his local position. He can use the presence of a powerful *indépendantiste* network in Quebec to exact concessions from the federal government. Any concessions will also have to be accepted in the rest of Canada, however, or his position in Quebec will be greatly weakened.[95] Concessions have to

confident enough, however, to have supported the circulation of a provincewide petition demanding a referendum as scheduled for the fall of 1992, as a means of continuing to pressure Bourassa. There is therefore an interesting dilemma built into the time horizons of federalists and *indépendantistes* as they consider the joint effects of the failure of Meech Lake and the economic recession: each of these factors pushes them in different directions. For the federalists, an ideal time for a referendum would be long enough after Meech Lake for its symbolic effects to be weakened, but not so late that the referendum is held in a period of economic expansion.

[95] If a referendum on sovereignty is held and sovererignty is supported, Bourassa may have a fallback. He may be able to accept this statement of the attitudes of Québécois and

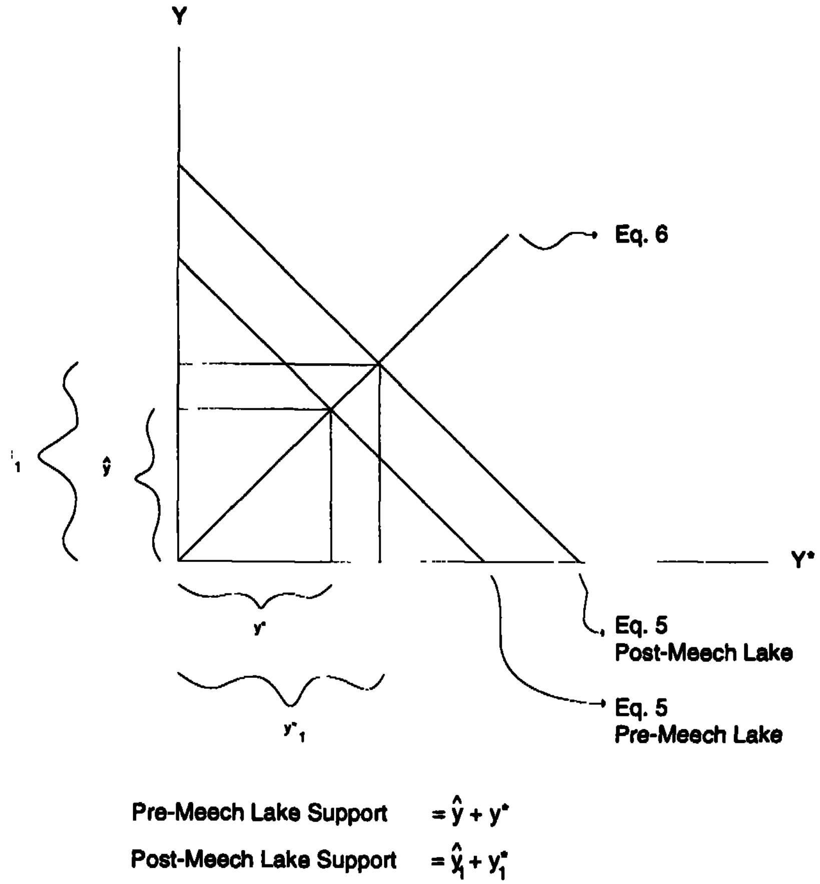


FIGURE 1

be substantial enough to appeal to Quebeckers but not so substantial that the package cannot be sold in Canada. That current constitutional discussions have been broadened to include issues other than Quebec is not simply a result of political pressure from groups in civil society; the federal government fears that the Quebec problem cannot be resolved as a single issue and is attempting to provide the basis for logrolling among groups across issues.[96]

argue that the provincial Liberal Party is simply the best choice of party to lead Quebec (part of the way) out of confederation and also the most suitable party of government in a politically independent Quebec.

[96] As of August 3, 1992, it appears that the federal government will present a constitutional package designed to satisfy a wide range of territorial and nonterritorial interests in the early fall of 1992, and there is a strong possibility that a national referendum on these constitutional reforms will follow. Aside from the question of Quebec's status, the constitutional proposals

The factionalism in the provincial Liberal Party is generational as well as issue-driven. The key base of support for sovereignty is the youth wing of the party. Federalists are drawn from an older cohort whose commitments and identifications were formed in the heyday of Canadian federalism.[97] The divisions also do not fall exactly along leader/activist lines. Not all elected leaders (for example, Claude Ryan) are electoral pragmatists, and neither are all activists driven to maintain the party program. Liberal youth, which control one-third of the votes at the party convention, have pushed especially hard for a tougher line. They have been supported by some Members of the National Assembly (MNAs) or riding associations that face strong PQ candidates and constituency organizations.[98] Others in the parliamentary wing of the party saw a declaration of sovereignty as a useful negotiation strategy for bargaining with the Canadian state.[99] Others, both elected MNAs and activists, have remained basically federalist and hence unwilling to use sovereignty as a bargaining position.

The state of public opinion in Canada has further constrained the provincial Liberals because it signals an unwillingness in Canada to accept a distinct constitutional status for Quebec.[100] At the same time, the process of constitutional negotiation in Canada has become more open and more complex: the Quebec question is only one of several issues and constituencies that are now a part of constitutional change. Elites are much less insulated from their publics and have less freedom to make deals.[101] Hence attitudes in Canada and the declining degree of elite autonomy thus have contributed to the local dilemma of the Liberals in Quebec and strengthened the position of the PQ.

CONCLUSION

The process of nationalist mobilization in Quebec cannot be determined simply from the size or the interests of the new middle class. Nor does

include a reformed Senate (designed to placate the Western provinces), a commitment to aboriginal self-government, and a social charter.

[97] *Le Devoir*, July 17, 1990, p. 2; *Le Devoir*, February 2, 1991, p. 1.

[98] Interview with Liberal youth activist, March 1991.

[99] *Le Devoir*, June 30, 1990, p. A1; *Le Devoir*, November 17, 1990, p. A3.

[100] In an April 1991 poll commissioned by the Toronto *Globe and Mail* and the Canadian Broadcasting Corporation, 76 percent of the sample of respondents from the rest of Canada said "no" to the question, "Should the rest of Canada agree to give Quebec some powers that the other provinces would not have if that's what it takes to keep Quebec within Canada?"

[101] Alan C. Cairns, "The Charter, Interest Groups, Executive Federalism and Constitutional Reform," in Smith, MacKinnon, and Courtney (fn. 74); and idem, "Political Science, Ethnicity, and the Constitution," in David P. Shugarman and Reg Whitaker, eds., *Federalism and Political Community* (Peterborough, Ont.: Broadview Press, 1989).

the capitalist state thesis provide a useful theoretical framework for explaining mobilization. However, a model of mobilization that emphasizes the interplay of counterhegemony and the problem of economic viability provides a compelling interpretation that systematically incorporates macro- and micro-level evidence. The model also has the advantage of being applicable to other cases, thus allowing the Quebec case to be situated in a broader comparative context.[102]

By considering counterhegemony as a strategy of activists, this model can account for the origins of nationalist organizations. The life cycle of organizations can be explained by the interaction over time of institution building and identity formation, on the one hand, and by the transition to independence and future economic viability, on the other. These two moments of counterhegemony—institutions and identity—are not determined exclusively by their mutual effects. The success of identity formation will vary with preexisting patterns of political alignments and subsequent changes in these patterns. Organizational encapsulation will vary with both the institutional infrastructure of the group and the territorial distribution of power. The effects of transition should vary with both structural features of the local economy's interaction with the world economy and with cyclical trends in particular conjunctures.

Two types of ethnic mobilization are usually distinguished in the literature on ethnic nationalism. The first develops when the position of the nationalist organization is more extreme than that of the average individual. This relationship—the classic model of political mobilization in the developed West—creates incentives for the organization to moderate its position. The second type of mobilization develops when the position of the average individual is more extreme than the program of the organization. Moderation can then be costly in terms of support for the party position. Group leaders have less incentive to engage in accommodation when there are rival leaders in their group and when leaders do not enjoy autonomy vis-à-vis their followers. Intergroup agreement on moderate positions is difficult to achieve and enforce because of the incentives for leaders within groups to defect to more extreme positions. The nationalist movement in Quebec historically has resembled the first model, but the changes since the failure of Meech Lake have introduced some of the dynamics of the second model. Quebec and Canadian societies will likely experience important changes in the next few years. This article provides a model to make sense of some of them.[103]

[102] Meadwell (fn. 32).
[103] The final draft of this article was completed on August 3, 1992.

INSTITUTIONS AND COLLECTIVE ACTION

The New Telecommunications in Western Europe

By WAYNE SANDHOLTZ*

TECHNOLOGY has transformed telecommunications in ways that were the stuff of science fiction twenty-five years ago. New technologies and services have triggered changes in markets, government regulation, and international regimes. One of the most striking phenomena in this era of change is the emergence in Western Europe of extensive collaboration in telecoms. This paper addresses the puzzle of why European governments began in the 1980s to move from strongly autarkic policies toward collective action in telecommunications. So far, studies of telecoms reform have analyzed the trend away from monopolies and toward free-market principles (liberalization).[1] The West European case adds another dimension: the Europeans have liberalized *and* collaborated extensively.

I will argue that the Commission of the European Communities (hereafter the Commission) played the leading role in promoting collective action. The Commission launched the RACE program (R and D in Advanced Communications-Technologies in Europe), initiated preparations for a Europe-wide next-generation infrastructure, pushed for open markets in equipment and services, and led the way in the creation of new institutional arrangements for the joint management of standardization and planning. Though the reform process is not yet concluded, the changes are already substantial enough to declare them a major political achievement by the Commission. The analytical point is that in-

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[1] Peter F. Cowhey, "The International Telecommunications Regime: The Political Roots of Regimes for High Technology," *International Organization* 44 (Spring 1990); Stephen D. Krasner, "Global Communications and National Power: Life on the Pareto Frontier," *World Politics* 43 (April 1991).

ternational institutions can, and in this case did, exercise leadership and promote international collective action.

Three factors confer economic and policy importance on the telecommunications sector. First, it is large and growing rapidly. The Commission estimates that by the year 2000 telecoms will generate 7 percent of GDP in the Community, as compared with 2 percent in 1984. EC states will invest 500 billion ECU[2] in telecommunications by the end of the century, at which time the sector will be responsible for some sixty million jobs.[3] Second, telecommunications constitutes an essential part of the infrastructure for modern economies. For the European Community, telecommunications will be vital to the functioning of the internal market, which is to be barrier-free by 1993. Virtually every economic activity from the Mediterranean to the Baltic will require compatible advanced services and equipment.

Third, and related to the infrastructure issue, advanced telecommunications has become a source of competitive advantage for firms. As the OECD-BRIE Telecommunications User Group Project concludes, new telecommunications

> can permit more rapid response to market changes, greater production flexibility, more cost-effective tailoring of products to customers, speedier and better integrated management and work processes. Even in more stable market environments, the intensive use of telecommunications networks can produce a broad range of benefits, from cost-savings and productivity improvements to better market monitoring and customer service.[4]

Firms that do not have access to technologically up-to-date and low-cost telecoms services will be at a competitive disadvantage.

The emergence of new telecommunications policies and institutions at the European level is a political event that demands explanation. Prior to the reform initiatives of the Commission, telecommunications was the exclusive domain of fiercely autonomous national monopolies. Today, significant policy powers have been transferred to the European level, and liberalization has pruned the traditional monopolies. The analytical framework employed to explain these outcomes posits that two conditions are necessary to initiate international collective action. First, adap-

[2] At June 1992 exchange rates, that would amount to U.S. $645 billion.

[3] Commission of the European Communities (CEC), *Establishing Advanced Communications in Europe: IBC Strategic Audit 1988* (Brussels: CEC, February 1989), 1.

[4] François Bar and Michael Borrus, "Information Networks and Competitive Advantage," in Organization for Economic Cooperation and Development and the Berkeley Roundtable on the International Economy (OECD-BRIE), *Information Networks and Business Strategies* (Berkeley: Berkeley Roundtable on the International Economy, October 1989), 3.

tation at the national level must take place, such that governments are willing to consider collective action as an alternative to unilateral approaches. *In other words, analyses of international collective action* must examine the domestic political and policy changes that redefine for national governments the feasible set of international outcomes. Second, there must be international leadership to organize collective action. This study thus extends recent work on international leadership by suggesting that international organizations can provide it. Even in combination, however, the two conditions are not always sufficient to produce a cooperative outcome. Specifying necessary conditions is nevertheless worthwhile because it provides a framework for explaining instances in which collective action emerges and also points to key variables that ought to be examined when accounting for the absence of collective action.

The paper proceeds as follows. The first section analyzes the process of adaptation in national governments and argues that technological and market changes led to policy adaptation and the redefinition of national interests. The second section discusses international leadership and the conditions under which international institutions can be the source of it. The third section analyzes the case of collective action for telecommunications reform in Western Europe.

Technological Change and Policy Adaptation

The telecommunications sector has undergone a technological revolution since the mid-1970s. New technologies altered markets by making possible a vast array of new services and equipment, but the old national monopolies were too rigid to respond adequately. Market change affects domestic groups, which in turn make demands on government and have an impact on policy-making. The organization of intermediate associations and the institutional structure of the polity shape the political influence of domestic groups.[5] I will first examine telecommunications reform from the perspective of domestic institutions and groups, explaining the policy adaptation that occurred in the various states.

Telecommunications worldwide is in a state of dramatic technological and regulatory flux.[6] The trend has been for liberalization—or the open-

[5] For examples of this approach, see John Zysman, *Governments, Markets and Growth* (Ithaca, N.Y.: Cornell University Press, 1983); Peter Gourevitch, *Politics in Hard Times* (Ithaca, N.Y.: Cornell University Press, 1986); Peter J. Katzenstein *Corporatism and Change* (Ithaca, N.Y.: Cornell University Press, 1984); and Peter Hall, *Governing the Economy* (Oxford: Oxford University Press, 1986).

[6] See Cowhey (fn. 1).

ing of competition—in the provision of networks, equipment, and services. The United States deregulated the sector with the breakup of AT&T, allowing competition in every aspect of it. Japan has substantially reregulated and has planned a unified, technically advanced network for the future.[7] Liberalization in Europe has been much more complex than in the U.S. and Japan for two reasons. First, telecommunications in Europe has been fragmented into autonomous national systems. They are technically incompatible, offer distinct services and equipment, and utilize differing tariff (rate) principles. The regime for coordinating European telecoms, based on the Conférence européenne des postes et télécommunications (CEPT), has operated on the principle of pure national autonomy. CEPT is an association of the national ministries of post, telegraphs, and telephones (PTTs) that in the past did little more than arrange for interfaces at national borders and rules for revenue sharing on cross-national traffic.

The second factor complicating telecoms reform in Europe is that each national system has historically been the monopoly preserve of an entrenched PTT. Telecommunications had always been regarded as both a natural monopoly and a public utility, justifying the extensive and exclusive powers of the state PTTs. Those powers included ownership, management, and regulation of the telecommunications network; private networks (common in the U.S.) were severely restricted. Typically, the PTT bought network equipment (for switching and transmission) from one or at most two national suppliers. In contrast to the U.S., where a host of private companies provided a variety of enhanced services, the PTT was the sole supplier of all telecoms services. In Europe even terminal equipment (what a subscriber could attach to the network) could be bought or leased only through the PTT. These monopolies on network and customer equipment were enforced through national standards and the requirement that any piece of equipment had to receive "type approval" from the PTT. Table 1 depicts the status of PTT monopolies as of 1984; note that the United Kingdom was the only European country with a major degree of liberalization.

By 1980 this patchwork of heavily regulated national fiefdoms faced mounting pressure to change, a result of technological changes and liberalization abroad.[8] A torrent of technological innovations, deriving

[7] See Michael Borrus et al., *Telecommunications Development in Comparative Perspective: The New Telecommunications in Europe, Japan and the U.S.*, Working Paper no. 14 (Berkeley: Berkeley Roundtable on the International Economy, 1985).

[8] Numerous sources discuss the technological and regulatory changes in telecommunications during the 1980s. See, e.g., Borrus et al. (fn. 7); Peter F. Cowhey, "Telecommunications," in Gary Clyde Hufbauer, ed., *Europe 1992: An American Perspective* (Washington,

TABLE 1
PTT POWERS, 1984[a]

Countries	*Networks*	*Services*	*Terminals*	*Standards*	*Tariffs*
Belgium	M	M	M	M	M
Denmark	M	M	M	M	M
France	M	M	S	M	M
Germany	M	M	M	M	M
Greece	M	M	M	M	M
Ireland	M	M	S	M	M
Italy	M	M	M	M	M
Luxembourg	M	M	S	M	M
Netherlands	M	M	M	M	M
United Kingdom	S	S	O	S	M
United States	O	O	O	O	O

[a] M = monopoly; S = semiopen; O = open.

from the revolutions in microelectronics and data processing, made possible entirely new ("enhanced") kinds of telecommunications services, which advanced customers wanted and which the PTTs were frequently slow to provide. One major innovation was the digital switch. Other key developments were the widespread connection of computers to the telecoms network and new transmission media (microwaves, satellites, and fiber optics). Taken together, these innovations increased the capacity, versatility, and reliability of telecoms networks and made possible entirely new, rapidly expanding services. Some are already commonplace: data communications, data processing services, specialized electronic data bases and information services, electronic mail, teleconferencing. Future broadband networks will be capable of simultaneously carrying voice, data, and high-quality video pictures (high-definition TV).

Two domestic groups in European countries felt the impact of the technological and market changes: major producers of telecoms equipment and users and providers of advanced telecoms services. Both groups became strong supporters of reform. Manufacturers came to favor European cooperation for two reasons. First, they needed Community-scale

D.C.: Brookings Institution, 1990); Jeffrey A. Hart, "The Politics of Global Competition in the Telecommunications Industry," *Information Society* 5 (1988); Jill Hills, *Deregulating Telecoms: Competition and Control in the United States, Japan and Britain* (London: Frances Pinter, 1986); Godefroy Dang Nguyen, "Telecommunications: A Challenge to the Old Order," in Margaret Sharp, ed., *Europe and the New Technologies* (Ithaca, N.Y.: Cornell University Press, 1986); OECD, *Telecommunications: Pressures and Policies for Change* (Paris: OECD, 1983); Office of Technology Assessment, *International Competition in Services*, OTA-ITE-328 (Washington, D.C.: U.S. Government Printing Office, July 1987); Hubert Ungerer, with Nicholas P. Costello, *Telecommunications in Europe*, European Perspectives Series (Brussels: Commission of the European Communities, 1988).

markets in order to remain competitive with U.S. and Japanese rivals; the national PTTs, in preserving their home markets for their national champion suppliers, precluded such a market. Second, manufacturers, knowing that they would have to rely on a regional market, recognized the need for regional technical standards. If their equipment was to be salable in each national market, the telecoms systems would have to conform to common standards for future networks. Under the fragmented PTT system, each country clung to its own standard. Thus major manufacturers became supporters of Community-level cooperation.

Nor were the possibilities presented by the new technology lost on major users of telecommunications or on companies interested in offering innovative services. The problem was that the PTTs (with the exception of Britain) maintained a tight grip on every aspect of telecommunications. Some PTTs introduced new networks and services, like the packet-switched data network (TRANSPAC) and the public videotex services (Teletel/Minitel) in France. Nonetheless, the pace of change in Europe was inadequate, especially by comparison with the deregulation occurring in the United States and the reregulation in Japan.[9]

By the mid-1980s telecommunications users in the United States had the greatest freedom in the world to adopt the latest equipment and services. As a result of deregulation, American users (especially the large corporations) had virtually unlimited flexibility in customizing their telecommunications networks. Since private companies were free to offer new value-added services, the number of such services available to American users far outstripped the number of offerings in Europe. In short, U.S. businesses benefited from more advanced telecoms facilities at lower prices than were available to their European counterparts.

Even when European PTTs incorporated the new technologies, they did so without cross-national coordination. This was a source of immense frustration for users in need of advanced telecoms capacities linking sites in more than one country. To establish a private line between Italy and the Netherlands in the early 1980s, a user had to deal with every PTT in between, frequently making it a nightmare to trace and correct breakdowns. Equipment and software were incompatible across borders. This meant that many services could not operate properly: packet-switched data networks nominally using the X.25 standard could operate at only 4.8 kilobits per second for transborder traffic, compared with 48 kilobits per second domestically. French videotex was incompatible with German, British, and Dutch systems. Tariff differentials were striking.

[9] See Borrus et al. (fn. 7).

A 500-kilometer leased line could cost 840 ECU per month in Britain and 2,230 ECU per month in France. Different regulations in each country meant widely varying cost structures: in 1988 a telephone set was seven times more expensive in Italy than in Belgium; installation was seven times more costly in Denmark than in Germany; rates on local calls were nine times higher in Britain than in Portugal; and long-distance calls cost over seven times more in Greece than in Denmark.[10] European businesses reported tremendous difficulties in establishing reliable, modern, efficient telecommunications links across Europe. Not surprisingly, major users of telecoms began to pressure for a coordinated European approach to modernization and liberalization.

The combination of technological innovation and foreign liberalization put pressure on the traditional European telecoms systems. The pro-reform camp included major users and suppliers of telecoms equipment and services. Both groups were frustrated by the slow introduction of new services and by the lack of EC-wide compatibility. They began to urge change on the national telecoms authorities. The domestic level thus explains an important part of the reform movement, namely, why national telecoms arrangements were in a process of adaptation by the mid-1980s. The adaptive process led to a reconsideration of past policies and a search for new ones, which was necessary but not sufficient for collective action to arise. Equally important, Commission plans emerged before the national governments could complete the adaptive process and define new national interests. In fact, developments at the EC level helped to shape the reform process in member states. With national policies changing, political leadership at the international level was necessary to organize diverse agendas into collective action.

Institutions and Collective Action

A well-established body of theory posits that institutions matter for international cooperation.[11] Ernst Haas has argued that international re-

[10] Roundtable of European Industrialists, *Clearing the Lines: A User's View on Business Communications in Europe* (Paris: European Roundtable, 1986), 9–12; William Dawkins, "High EC Telephone Charges Attacked," *Financial Times*, July 5, 1988, p. 2.

[11] By "cooperation" I mean something more than a class of outcomes in strategic games. When actors' independent choices produce Pareto-optimal outcomes, the result is cooperation only in the sense in which game theorists use the term. For my purposes, cooperation in international politics requires policy adjustment by each player; it implies that each participant follows a course different from what it would have pursued in the absence of a joint effort. In this essay, I use the terms *cooperation* and *collective action* interchangeably. Cooperation, or collective action, occurs when a group of actors seeks to provide a good (public or private) through agreed-upon joint means.

gimes can promote technical consensus on shared problems. The hypothesis is that if national actors arrive at a common definition of the problem and a common understanding of the causal relations it embodies, they are more likely to cooperate on solutions. Thus, through a process of learning, international institutions can reshape actors' perceptions of the problems they face.[12]

Robert Keohane explores another approach to analyzing the role of international institutions, suggesting that regimes provide information and channel behaviors into predictable courses. They do this by creating stable expectations about how other actors will behave. Such a setting facilitates the striking of further bargains. In short, "regimes can also affect state interests, for the notion of self-interest is itself elastic and largely subjective. Perceptions of self-interest depend both on actors' expectations of the likely consequences of particular actions and on their fundamental values. Regimes can certainly affect expectations and may affect values as well."[13]

Finally, I will argue that under certain circumstances international organizations can exercise international leadership by proposing cooperative solutions to shared problems and mobilizing coalitions in support of them. Peter Haas has focused on "epistemic communities" as a way of accounting for an active, leadership role for international institutions.[14] My approach begins elsewhere, with the problem of organizing collective action.

The first step in this argument is to show that leadership is a prerequisite for collective action. Mancur Olson has shown that public goods can be supplied when one powerful actor values the good sufficiently to provide it for herself (and thus for everybody) or to make side payments in order to line up contributions.[15] But as Norman Frohlich, Joe Oppenheimer, and Oran Young argue:

> Except in the unusual case of the single individual who supplies a collective good, it is generally agreed that some sort of organization is required to collect resources and to supply the good in question. Yet discussions of collective goods seldom pay much attention to the process through which such an organization can or will come into existence in a social structure.[16]

[12] Haas, *When Knowledge Is Power* (Berkeley: University of California Press, 1990); idem, "Why Collaborate? Issue-Linkage and International Regimes," *World Politics* 32 (April 1980).

[13] Keohane, *After Hegemony* (Princeton: Princeton University Press, 1984), 63.

[14] Peter M. Haas, "Do Regimes Matter? Epistemic Communities and Mediterranean Pollution Control," *International Organization* 43 (Summer 1989).

[15] Olson, *The Logic of Collective Action* (Cambridge: Harvard University Press, 1965).

[16] Frohlich, Oppenheimer, and Young, *Political Leadership and Collective Goods* (Princeton: Princeton University Press, 1971), 6.

They argue that political leadership is necessary to organize cooperation. Organizing to supply collective goods entails costs beyond those of providing the good itself. A political leader (or entrepreneur) is one who agrees to bear the cost of providing a collective organization in return for some benefit or net gain.

The dominant mode of thinking in international relations scholarship has been that hegemons play the leadership role because leadership is identified with power.[17] Hegemons, the argument goes, are able to mobilize collective action through coercion or side payments. But there are multiple kinds of leadership, with power/leadership only one variety; other kinds of leadership do not rely on the ability to bribe or compel. As Oran Young has recently argued, effective international leadership can also derive from bargaining skill ("entrepreneurial leadership") and the ability to generate ideas that reshape the perspectives of the bargainers ("intellectual leadership"). Young also notes that the "heavy-handed arguments of the hegemonists" run into problems of reification and "do not stand up well to empirical testing."[18]

A number of leadership functions do not depend on the wielding of power. Such functions include some or all of the following:

1. *proposing*, which points out to potential collaborators the areas in which collective action would be mutually beneficial
2. *mobilizing*, which draws potential collaborators into discussions over the proposed collaboration
3. *shaping the agenda*, which outlines a framework for negotiations, including goals and means of cooperation
4. *building consensus*, which promotes common understandings of the problem and of cause-effects relations
5. *brokering compromises*, which defines potential regions of agreement among divergent interests[19]

If one views the functions of international leadership in this way, then clearly the exercise of leadership is not limited to officials of national governments. Officials of international organizations are able to provide international entrepreneurial and intellectual leadership as defined by Young. The officials and staff of an IO might expect a variety of gains

[17] See Charles Kindleberger, *The World in Depression* (Berkeley: University of California Press, 1973); Robert Gilpin, *U.S. Power and the Multinational Corporation* (New York: Basic Books, 1975); Stephen D. Krasner, "State Power and the Structure of International Trade," *World Politics* 28 (April 1976).

[18] Young, "Political Leadership and Regime Formation: On the Development of Institutions in International Society," *International Organization* 45 (Summer 1991).

[19] See Wayne Sandholtz, *High-Tech Europe: The Politics of International Cooperation* (Berkeley: University of California Press, 1992), chap. 2.

from taking a leadership role: enhanced prestige, new domains of activity, larger budgets, and more personnel.

The point is that neorealism implicitly assumes that for IOs to exercise leadership, they would have to act like major states by displaying power/leadership.[20] A more nuanced notion of leadership allows that IOs can lead in other ways. By linking political leadership to the costs of organizing cooperation, I have reframed the notion so that it can include leadership by IOs. In principle, IOs are capable of assuming at least some of the costs of organizing cooperation.

I enumerate four conditions under which the potential for IO leadership is greatest. Even the presence of all four in a specific situation, however, does not ensure that IO leadership *will* be effective.

First, the greater the initial grant of authority to the international organization, the greater its ability to lead in new areas. Some IOs are forums in which member governments can express their positions and debate the differences—like the United Nations General Assembly. Others provide a mechanism for coordinating rules and standards; the IO then promulgates the agreed-upon rules. The International Civil Aviation Organization is an example of this type. Other IOs have secretariats with authority to administer funds and programs agreed upon by their member states; the International Monetary Fund and the World Bank are examples. A few IOs have independent powers to make and enforce rules among member states and their populations. The Commission of the European Communities is the best example of this type. It possesses the power, for example, to rule on whether or not to permit certain company mergers. Hence, the capacity of an IO to lead depends in large part on the nature of its constitution and the independent authority granted to its officers and staff. The World Bank and the Commission of the European Communities therefore enjoy greater scope for independent initiative than does the International Postal Union.

Second, when leaders and staff of the international organization are substantively knowledgeable and well prepared, they can help shape technical discussions and agreements. One of the most dramatic examples of this effect is the economic analysis generated by Raul Prebisch and his fellow economists at the U.N. Economic Commission for Latin America. ECLA thinking was incorporated into the philosophical foundations of both Latin American regional organizations and the United Nations Conference on Trade and Development (UNCTAD).

[20] International organizations do not act or lead; their officials do. Thus when I write that IOs do something, or exercise leadership, it is a shorthand for describing the actions of IO officials.

Third, the capacity of international organizations to exercise initiative depends in part on the personal characteristics of their leaders. Personal attributes that enhance the influence of an IO official include charisma, expertise, negotiating ability, personal achievement outside the IO, and administrative competence. Thus, as Robert Cox and Harold Jacobson suggest, "High international officials may command information and recognition, which allows them the initiative in proposing action or resolving conflict."[21]

Fourth and most important, I submit that international organizations register the greatest impact on interstate cooperation during periods of policy adaptation. When national leaders confront policy failures that compel them to rethink their objectives and/or the means chosen to pursue them, they adapt by searching for alternative approaches. Under such circumstances international organizations can seize the initiative to supply new models and strategies and to promote bargains. Policy crises provide opportunities for activist, entrepreneurial IO leaders to marshal states behind a cooperative solution.

At this point, the earlier discussion of domestic influences can be integrated with notions of international leadership. Essentially, for collective action to be possible, governments must come to value it over unilateralism. Domestic groups are important in this context: they can provoke governments to rethink and adapt their policies, although domestic politics is not the only way to induce policy adaptation. Cognitive change is also possible, as governments adopt new ideas, models, and information that can alter the way they view problems and define the national interest. Governments can also learn from experience, when policy failure forces them to search for alternative approaches.[22]

Thus, the analysis of collective action has two important dimensions. Half of the question deals with the demand for cooperation, how and why leaders of states decide that cooperation is an acceptable option. Explaining the demand for cooperation forces us to look at domestic politics, learning, and policy adaptation. The other half of the analysis focuses on organizing collective action. Even when states reassess their interests, cooperation is by no means automatic. Leadership is necessary to organize collective action. International organizations can be sources of leadership and promote international collective action.

[21] Cox and Jacobson, *The Anatomy of Influence* (New Haven: Yale University Press, 1973), 20.

[22] See John S. Odell, *U.S. International Monetary Policy* (Princeton: Princeton University Press, 1982), 367–71.

The New Telecommunications in Europe

Given the technological revolutions in telecoms, liberalization was in some ways inevitable. It was not inevitable, however, that telecoms reform assume a strong European Community orientation. It can be a purely national affair, as it has been in the United States, Japan, Australia, and other countries. Furthermore, it is axiomatic of international politics that the mere potential for gains from collective action does not ensure that cooperation will occur.

In Europe the potential gain from collective action was substantial. First, a major obstacle to fulfilling the hopes for 1992 was the unavailability of advanced telecoms services across national borders. Second, national markets for some telecoms subsectors (like public exchanges) were too small to support competition. Creating a regional market required action at the EC level. Third, a true regional market would require common standards to ensure that equipment and services could be used throughout the Community. Fourth, given the dramatic technological changes under way and on the horizon, unified standards required joint research and planning for future networks. These were the opportunities for collective action. The following sections consider the two necessary conditions for initiating collective action: adaptation at the national level and international leadership.

Policy Adaptation

By the mid-1980s national governments across the EC were reassessing telecoms policies. One sees the evidence that governments were adapting in the measures to reassess policies, to search for alternatives, and, ultimately, to institute reforms. Britain was the first in Europe to liberalize telecoms. The Thatcher government in 1981 created the state-owned company British Telecom (BT). In 1984 a majority of BT shares were sold to private investors. Following the recommendations of the Beesley Report, the Thatcher government also began to open to competition the markets for networks, terminals, and services.

Following a period of extensive national studies, there were major steps in the liberalization of telecoms in France in the years 1986–89, under both the Chirac government and the second Mitterrand government. During that period, competition in networks and services was opened up; the renamed France Telecom retained its monopoly only on basic voice telephony. Large private networks and value-added services

still required prior authorization, but the authorizing body was now an independent council and no longer the PTT.[23]

In Germany the Bundespost possessed by legislative fiat the "exclusive right to build and maintain telecommunications facilities." Until recently the Bundespost interpreted that mandate strictly, retaining monopoly control over the network, terminal equipment, and services.[24] Liberalization started with the Witte Report, which emerged with much fanfare in September 1987. It made several recommendations: to remove the telecommunications administration (to be renamed Telekom) from the postal service; to open value-added services to competition, with Telekom to retain only its monopoly of basic voice telephony; and to create a free market in terminals.[25] Despite opposition from the powerful postal workers' union (DPG) and its court challenges, the cabinet approved the proposals in May 1988, and they went into effect in July 1989.

The three large states were not the only ones undergoing national telecoms reform. Similar processes were under way in Italy, the Netherlands, Denmark, and Belgium. In short, by the late 1980s national governments everywhere in the EC were rethinking telecoms policies. State leaders created commissions and panels to study liberalization. The national reforms did not necessitate collective action at the Community level. The domestic reform processes did, however, undercut the highly nationalist, PTT-dominated telecoms arrangements. Equally important, events in member states established one of the conditions I earlier identified as propitious for leadership by an IO: policy adaptation and openness in national governments. EC initiatives, begun years earlier, could land in fertile soil.

The Commission and International Leadership

Altering European telecommunications regimes is not an automatic, market-driven process; rather, it requires collective political action. The engine pulling the EC toward a common, liberal, modernized telecommunications regime has been the Commission of the European Com-

[23] After January 1989 the powers to authorize rested with the Conseil Supérieur de l'Audiovisuel (CSA), which replaced the Commission Nationale de la Communication et des Libertés (CNCL) created by the Chirac government. A decree of May 1989 created a Direction de la Réglementation, which functions as an independent regulator. This paragraph relies on Benjamin Coriat, "Regime reglementaire, structure de marché et competitivité d'entreprise," in OECD-BRIE (fn. 4).

[24] See Hart (fn. 8); and Patrick Cogez, "Telecommunications in West Germany," in Michael Borrus et al., *Telecommunications Development in Comparative Perspective: Appendix* (Berkeley: Berkeley Roundtable on the International Economy, 1985).

[25] "From Bundespost to Telekom," *Telecommunications Policy* 11 (December 1987), 407–8; "RFA: Les recommandations (en substance) de la commission Witte," *Telecoms Magazine* 8 (October 1987), 91.

nunities. I outlined four conditions under which IO officials are most ikely to exercise effective international leadership. We have seen that ne of them was present in Europe during the early 1980s (when national overnments were in the midst of policy adaptation and thus open to ew approaches). The other three conditions were also present in the Commission at that time. First, the Commission has substantial autonomous powers, granted in the Treaties of Rome and subsequent additions o the treaties. For instance, the Commission has sole power to propose C legislation (though the Council of Ministers may request proposals rom the Commission).[26] Once the Council has approved Community aws and programs, the Commission is broadly responsible for administering them and can issue rules and directives for their implementation. inally, the Commission has independent authority to act in a few areas. he most important of these is probably competition policy and enforcement (antitrust). The Commission has the power to prohibit business ractices that it deems incompatible with treaty provisions establishing a ommon market. It can veto mergers and acquisitions that would be nticompetitive, and it can require firms to repay government subsidies hat it judges to have been granted in violation of EC rules. In fact, the Commission may be the international institution with the most significant autonomous powers.

Second, command of relevant technical information can be a basis for entrepreneurial and intellectual leadership. On this count the Commission was also well prepared. In 1979 the new commissioner for industry, Etienne Davignon, created an independent working group, the Information Technologies Task Force (IT Task Force), which was independent of the existing directorates general and reported directly to the commissioners. The brief of the task force was to assess the long-term needs of the telematics industries and to draft a Community-level strategy. The task force carried out its own studies of the telecoms sector and also

[26] A brief note on some of the institutions of the European Community might be in order. The Commission is the executive arm of the Community; its members are appointed by the member state governments but do not take instructions from them. The Council (its full name is the Council of Ministers) is the body in which national governments are represented and vote. For general EC business, the foreign ministers meet and vote. But ministers with other portfolios can also constitute a Council when the subject under discussion indicates it would be appropriate. For instance, the ministers of agriculture meet and vote on agricultural questions, ministers of research handle technology questions, and so on. Most EC laws and policies must be approved by the Council of Ministers; votes of the Council carry equal authority regardless of which set of ministers is involved. The European Council is composed of the heads of state or government. It meets three times per year and deals with broad issues. Major new policies and institutions are always agreed on at this level. Meetings of the European Council are also referred to as European summits, the terminology I will use in this paper so as to avoid confusion with the Council of Ministers.

commissioned a number of technical and economic studies from prom nent consulting firms, including Arthur D. Little International, Mack intosh International, McKinsey and Company, and the Yankee Grou Armed with the studies, the Commission could exercise leadership as knowledgeable, credible participant in highly technical discussions wit industry and telecoms administrations.[27] The Commission's competitive ness rationale and its case for significant joint gains from EC-level co operation became the basis for the cooperative endeavors.

Third, Etienne Davignon was the entrepreneurial leader par excel lence. The IT Task Force was largely his creation, and his skills were als apparent in his organization of an industrial coalition in favor of EC-le telecoms cooperation. In fact, industry executives frequently mentione in interviews that Davignon's personal prestige, vision, and drive wer responsible for bringing together the twelve largest EC electronics firm in the "Roundtable." Davignon was also indefatigable in selling th high-tech programs to national governments.

In short, in the early 1980s the Commission displayed all four of th characteristics that increase the scope for effective IO leadership.

THE COMMISSION'S STRATEGY

Davignon entered his job convinced that the Community needed an industrial strategy for telematics (the broad sector comprising semiconductors, computers, and telecommunications). Without one, European economies would suffer, in terms of growth, employment, and the ability to compete with the U.S. and Japan. A Commission report presented to the heads of state in Dublin in November 1979 was titled "La société européenne face aux technologies de l'information: pour une réponse communautaire." It presented the case for an open European telecommunications market. The Commission noted that telematics was "strategically important," having a "direct effect on the competitive position of numerous other branches of activity."[28]

More specific proposals followed in July 1980. A paper on telecoms proposed several market-opening measures, arguing that with demand growing for the new services, a harmonized, Europe-wide network would be required. Approval did not come until November 1984 and then only in the form of a nonenforceable "recommendation." The PTTs would allow open markets for new terminals and beginning in 1986

[27] Interviews conducted by the author in 1987. Officials interviewed were promised anonymity. Interview notes are in the author's possession.

[28] *Agence Europe*, November 7, 1979, p. 8; *Agence Europe*, November 26, 1979, p. 9; *Agence Europe*, November 28, 1979, p. 5.

would set aside 10 percent of their annual purchases of network equipment and conventional terminals (handsets, modems, telex) to open bidding.[29]

The Commission in the meantime was laying the foundation for a more comprehensive Community telecoms program, which it presented to the European Council in Stuttgart in June 1983. The Commission argued that the Ten needed to cooperate in order to ensure compatibility of new products and services during the period of rapid change in digitization, satellites, fiber optics, and microelectronics. Finally, the Commission requested that member governments appoint representatives to a senior officials group to discuss the formation of an EC telecoms body.[30] In November 1983 the council of ministers of industry unanimously agreed with the Stuttgart paper and asked the Commission to organize the meetings of senior officials. Davignon and the IT Task Force immediately created the Senior Officials Group for Telecommunications (SOGT), composed of representatives from diverse national bodies, including ministries of industry and economics and the PTTs.[31]

The SOGT, which met six times between November 1983 and March 1984, reached a consensus based on six "lines of action" proposed by the Commission in September 1983.[32] The SOGT agreement then became the core of Commission proposals for EC telecoms strategy in May 1984.[33] The main points in the program proposed by the Commission were:

1. to create a Community telecoms market, via common standards, mutual recognition of type approvals, and the opening of public procurement in telecoms
2. to plan jointly the introduction of new networks and services, focusing on ISDN, mobile telephones, and broadband
3. to undertake collaboration in research and development in order to develop the technologies for next-generation systems
4. to provide aid for telecoms development in the "least-favored" regions (economically depressed or remote areas)

Without major disagreements, the ministers of industry approved these objectives in December 1984. By the end of 1984, therefore, the member states had accepted the Commission's vision of a common strategy for

[29] CEC, *Communication from the Commission to the Council on the Status of the Community Telecommunications Policy*, COM (85) 276 final (Brussels: CEC, 1985), 5.

[30] *Agence Europe*, June 17, 1983, p. 10.

[31] Interviews (see fn. 27); CEC, *Communication from the Commission to the Council on Telecommunications*, COM (84) 277 final (Brussels: CEC, 1984), 2; *Agence Europe*, November 7, 1983, p. 7.

[32] CEC, *Communication from the Commission to the Council on Telecommunications: Lines of Action*, COM (83) 573 final (Brussels: CEC, 1983).

[33] CEC (fn. 31), 3–7, 10.

the liberalization and modernization of telecoms. In proposing common actions, mobilizing support, and providing a rationale, the Commission was thus exercising the functions of international leadership.

THE STRATEGY IN ACTION

Under the leadership of the Commission, translating the EC telecom strategy into specific actions has been an ongoing, incremental process. will examine three specific areas in which Commission efforts have been productive: collaborative research and development, standards, and market liberalization.

COLLABORATION ON R AND D

The vehicle for EC collaboration in telecoms R and D has been the RACE program. Since I have analyzed RACE in detail elsewhere, I will only summarize the points that are significant for this analysis.[34] RACE rode the wave of collaborative enthusiasm generated by the Commission's ESPRIT program for the information technologies. The perceived success of ESPRIT had produced a broad consensus that EC-level cooperation in R and D was valuable and that the Commission was capable of administering effective new programs. The Commission began the drive for an R and D program in telecoms immediately after the member governments authorized the creation of the SOGT.

The Commission proposed a program of R and D in telecommunications to the Roundtable companies, the same group of twelve firms that had been instrumental in preparing and winning approval for ESPRIT.[35] The Roundtable firms expressed strong interest in cooperating on telecoms R and D and accepted the Commission's invitation to help prepare such a program. During the summer of 1984 eighty experts from industry met twice a week to identify those R and D activities for future telecoms systems that could benefit from Community-level cooperation. The nitty-gritty work was done by four technical panels, in which the Italian and Dutch PTT research labs participated.

The result was a detailed plan for "Community-wide introduction of Integrated Broadband Communications (IBC) by 1995 taking into account the evolving Integrated Services Digital Networks (ISDN)."[36] The

[34] For a detailed account of the origins and operation of the RACE program, see Sandholtz (fn. 19), chap. 8.

[35] GEC, ICL, and Plessey from Britain; Bull, CGE, and Thomson from France; AEG, Nixdorf and Siemens from Germany; Olivetti and STET from Italy; and Philips from the Netherlands.

[36] ISDN is the next step in telecoms evolution. It will constitute a digital network capable of simultaneously carrying voice, text, high-speed data, and low-quality images.

proposed RACE program, slated to last five years, would set the requirements for the European IBC network and provide the technological base for it. The plan specified separate research tasks, each with its objectives, technical approach, progress indicators ("milestones"), resource requirements, and timetable. By March 1985 the Commission had put together a proposal for a limited "Definition Phase," to precede the full ten-year RACE program. The total EC contribution to the RACE Definition Phase would be 22.1 MECU over eighteen months, to be matched by project participants (as in ESPRIT).[37] The council of research ministers approved the RACE Definition Phase in July 1985.[38]

With the Definition Phase already considered a success by industry and governments, the Commission sent a proposal for the Main Phase to the Council in October 1986. It outlined a five-year program with a Community financial contribution of 800 MECU (to be matched by participating organizations). A detailed draft work plan was finished in spring 1987. RACE received Council approval in July 1987 with EC funding of 550 MECU, and an equal amount was to be contributed by participating firms. RACE projects involve companies, universities, or laboratories from at least two EC countries. Each project addresses a specific task outlined in the RACE work plan. RACE has involved 294 organizations in 92 projects.

In May 1990 the Commission proposed a second phase of RACE. In addition to continuing the R and D on broadband technologies, the new program will focus on eight priority areas, including mobile communications, image and data communications, and information security technologies. The Council approved RACE II in mid-1991, with an EC budget appropriation of 484 MECU for five years.[39] The initial call for proposals for RACE II drew over two hundred submissions.

To summarize, RACE has been the result of Commission leadership. The proposal for collaboration on telecoms R and D came from the Commission, which then mobilized industrial support and organized the planning. Governments, in the midst of overhauling their telecommunications policies, endorsed what the Commission and industry together had prepared.

[37] CEC, *Proposal for a Council Decision on a Preparatory Action for a Community Research and Development Programme in the Field of Telecommunications Technologies: R&D in Advanced Communications-Technologies for Europe (RACE), Definition Phase*, COM (85) 113 final (Brussels: CEC, 1985).

[38] *La Tribune*, July 2, 1985; *Le Monde*, June 6, 1985.

[39] CEC, *Information and Communications Technologies in Europe*, EUR 13413 EN (Brussels: CEC, 1991), 44; *Agence Europe*, March 7, 1991; CEC, *Research and Development in Advanced Communications Technologies in Europe: RACE 1992* (Brussels: CEC, 1992), 1.

STANDARDS

Standards are technical specifications of how electronic information is be "packaged" on the network and of how various pieces of equipme (switches, customer equipment) talk to each other. Traditionally, tl PTTs have controlled the standards-setting process in each country, a well as the procedures for verifying that specific pieces of hardware com ply with the national standards. Distinct national standards maintaine the autonomy of the PTTs, with the result that West European telecom munications remained a patchwork of frequently incompatible nationa systems. The Commission took the lead in pressing for EC-wide stan dards.

Through the initiative of the Commission, the Community has seen a complete restructuring of its institutional arrangements for standardi zation in telecoms. Common standards were part of the Commissior strategy for telecommunications as early as its 1979 report to the Dublin summit; the Commission reasserted the importance of common stan dards in its 1980 telecommunications document and in the program it presented at the Stuttgart summit in 1983. All of these actions came before member states (Britain excepted) had devised their own plans for telecoms reform; the Commission was therefore well ahead of the national governments on standards (the British were content to liberalize at home and were not urging standardization in an EC telecoms market). Furthermore, Commission initiatives gradually built on each other.

As a result of a Commission proposal, the Community signed a memorandum of understanding with the CEPT in July 1984. Under the terms of this memorandum, CEPT would produce recommendations for common standards and specifications for equipment approval ("type approval" in EC jargon) according to priorities established by the Community. The standards defined by CEPT are called normes européennes de télécommunications (NETs) and are mandatory technical standards covering connection and access to the public networks. In addition, the Commission earned itself the central coordinating role in defining priorities for two other European standards bodies, CEN and CENELEC.

In its comprehensive document, *Towards a Dynamic European Economy* (known as the telecommunications *Green Paper* [1987]),[40] the Commission had proposed the creation of a permanent and independent European Telecommunications Standards Institute (ETSI). The ETSI proposal was a political move to sidestep the CEPT, which was seen as too closed and dominated by the PTTs. Conflict emerged over the overlap

[40] CEC, *Towards a Dynamic European Economy: Green Paper on the Development of the Common Market for Telecommunications Services and Equipment*, COM (87) 290 final (Brussels: CEC, 1987).

between the ETSI mission and that of CEPT. Reformers pointed to CEPT deficiencies, namely, a lack of permanent specialized technical expertise and a lack of representation for telecommunications industries. After approval by the national telecoms ministers, ETSI came into being in March 1988. The institute has a permanent directorate. Network operators (primarily the PTTs), equipment manufacturers, and telecoms users meet to establish technical specifications. ETSI is assuming the standardization functions of the CEPT.[41]

With new standards-setting institutions in place, the final area of reform was in procedures for testing compliance with common standards. A major success came in July 1986, when the Council approved a directive proposed by the Commission (Directive 86/361/EEC). The directive provided for mutual recognition of type approval, beginning initially on a limited basis. Type approval is certification by an authorized body that a piece of equipment meets the relevant technical standards; mutual recognition means that type approval in one country will be accepted in other member countries, so that devices will not have to go through the type approval process in each state. Full-fledged mutual recognition of type approvals came with a new directive approved by the Council in April 1991 (91/263/EEC). The effect of the latest directive, which replaced the earlier one, is to establish a network of laboratories throughout the Community designated to test equipment for conformity to EC standards. Manufacturers of equipment can submit devices to any of the laboratories; once a device is approved, the certification of conformity is valid throughout the EC.[42]

Standardization at the EC level and mutual recognition of type approval were key elements of the Commission's strategy from 1980 on. Even though liberalization was beginning in most EC states by the mid-1980s, common standards and mutual recognition were by no means byproducts of liberalization. Indeed, telecoms reform can proceed on a national basis well in advance of international cooperation on standards—witness the early liberalization in the United Kingdom. Though common standards offered potential collective gains, it was leadership from the commission that made those benefits accessible to the member states.

Market Liberalization

The intersection of the telecommunications reform effort with the 1992 project resulted in June 1987 in the telecommunications *Green Paper*, which was the Commission's blueprint for comprehensive telecoms re-

[41] CEC, *Information and Communications Technologies* (fn. 39), 64.

[42] Council Directive of April 29, 1991 (91/263/EEC), in *Official Journal of the European Communities*, no. L 128/1 (1991).

forms under EC auspices. On the basis of extensive technical docume tation, the Commission in the end advanced ten positions as guides f Community telecoms development. The thrust of the proposals was challenge the PTT monopolies and open up EC-wide competition in tl markets for network equipment, terminals, and telecoms services. Tl PTTs would be left with a monopoly only on basic voice telephony.

The Commission's plan received strong support from the major E business associations, including INTUG (the International Telecommun cations Users Group, representing European national users groups), th industry association UNICE, and the Roundtable of European Industria ists (which counted many of Europe's largest corporations as members The only reservations expressed by these private groups concerned are where they thought the Commission had not gone far enough.[43] Th Commission carried on intensive discussions of the *Green Paper* with th SOGT and with the national telecoms administrations. As a result of a the feedback, the Commission prepared a second document, "Imple menting the Green Paper,"[44] in which it reviewed the responses to th *Green Paper* and concluded that there was a consensus in support of it major goals. On that basis the Commission set forth a series of specifi goals and deadlines, all to be achieved for the completion of the interna market in 1992. The Council supported all of these objectives in a non binding resolution passed in June 1988.

The Commission's efforts to carry out this ambitious agenda of mar ket opening have been surprisingly successful, sometimes pushing EC level liberalization farther and faster than major states desired. In both terminals and services, the Commission has sought to liberalize market by issuing directives under Article 90 of the Treaty of Rome, which al lows it to prohibit state enterprises or authorized monopolies from en gaging in practices that reduce competition. It gives the Commission power to issue binding directives without seeking approval from the European Parliament or the Council of Ministers. The Commission has used Article 90 against the PTTs, arguing that PTT monopolies constitute "abuse of dominant position" (Article 86), which restrains competition.

Commissioner for Competition Peter Sutherland announced in February 1988 that the Commission would issue a directive under Article 90 to end PTT monopolies on the provision of terminal equipment. The

[43] See, e.g., George G. McKendrick, "The INTUG View on the EEC Green Paper," *Telecommunications Policy* 11 (December 1987), 325–29.

[44] CEC, *Towards a Competitive Community-wide Telecommunications Market in 1992: Implementing the Green Paper on the Development of the Common Market for Telecommunications Services and Equipment, State of Discussions and Proposals by the Commission*, COM (88) 48 (Brussels: CEC, 1988).

Commission decided to use the Article 90 lever because it feared that if left to the Council of Ministers and the usual procedure of agreement, the liberalization of the terminals market would be delayed by at least two years.[45] The supply of modems, telex terminals, PABXs, fax machines, mobile telephones, satellite dishes and so on would be open to competition. As a sop to the PTTs, supplying the first telephone set was to remain a public monopoly until the end of 1990. At French insistence, the Commission also included one escape clause: telecoms administrations may deny the right to connect to the network any piece of equipment that does not meet network technical standards.

Every member state agreed with the objective of opening the terminals market. But many, including Britain, France, and Germany, objected to the use of Article 90, which they thought would set an undesirable precedent for Commission activism. Nevertheless, the Commission proceeded, and the directive became law in April 1988. France immediately filed an appeal at the European Court of Justice, seeking to have the Commission's use of Article 90 overturned. The French emphasized that they favored opening the terminals market but disapproved of the unilateral manner in which the Commission was trying to achieve it. In November, West Germany, Italy, and Belgium (all three in favor of market liberalization) sent statements to the Court of Justice in support of the French petition. Interestingly, Britain, which had so often declaimed against Commission assaults on national sovereignty, did not join the suit. Since Britain had the longest experience with telecoms liberalization, many Britons thought that British telecoms industries, accustomed to the rigors of competition, would fare well in a unified EC market.

The European Court of Justice ruled in favor of the Commission on March 19, 1991.[46] Though the court voided certain portions of the terminals directive, it affirmed that the Commission had the authority to issue the directive and sustained its central thrust, namely, that PTT monopolies violated EC treaties by restricting competition. The court annulled one article and parts of two others because the "special rights" they aimed to abolish were nowhere defined. However, the main significance of the ruling was that it upheld the Commission's use of Article 90 against state monopolies.[47] As one knowledgeable observer has written, "The inference is that the Court's judgement in the terminals dispute effectively signals the end of legal action to halt the EC programme." The same author also notes that some telecoms people think

[45] *Sunday Times* (London), April 24, 1988, p. D6.
[46] *Target* 92 (May 1991), p. 2.
[47] *Agence Europe*, March 20, 1991; March 21, 1991.

that EC liberalization of basic voice telephony—the last monopoly—now inevitable.[48] In addition, within a month of its ruling the Europea Court of Justice received queries from national courts in France and Bel gium concerning the compatibility of national regulations with the ter minals directive.[49]

A second sally by the Commission armed with Article 90, this time i services, was even more controversial because a number of states dis agreed with the ends as well as the means. The battle lines were drawn at the July 1988 meeting of the ministers in charge of telecommunica tions, when a majority of member states (led by France) signed a reso lution declaring that PTT monopoly rights be retained "for a limited number of basic services." Britain, the Netherlands, and Denmark (the three states most committed to services liberalization at home) supported the full liberalization envisioned by the Commission. However, there was general agreement that value-added services (VANS) should be opened to competition.[50]

In December 1988 the Commission decided to proceed as planned with the services directive, though it would delay enactment until March 1989 in order to consult with member governments first. The measure to be phased in by January 1991, would leave PTT monopolies only in basic voice service and telex. But the conflict generated was such that the March deadline passed. Two new commissioners for competition and telecommunications, Leon Brittan and Filipo Maria Pandolfi, consented to a one-year delay, making the deadline January 1992.[51]

Distinct camps began to emerge among the member states. France, Spain, Italy, and Greece wanted the PTTs to keep their profitable monopolies on basic data communications (unenhanced, without any value added). Britain and Germany favored complete liberalization of services but also had reservations about the Commission's use of Article 90. However, both British and German officials reportedly wanted the Commis-

[48] John Williamson, "Intervention Is the Slogan," *Financial Times*, October 7, 1991, World Telecommunications Survey, p. 6.

[49] *Agence Europe*, April 11, 1991.

[50] William Dawkins, "Ministers Baulk at EC Telecom Reform Plans," *Financial Times*, July 1, 1988, p. 6. The definition of which services are "basic" and which are "value-added" is not that simple. In general, however, the consensus is that value-added services are those that involve something beyond simple transmission. Thus the transmission of a computer file in unchanged form is a basic service. Any sort of operation to alter the format or the content of the file would imply a value-added service. Clear examples of VANS include electronic mail, voice messaging, data banks, and videotex. The Commission argues that the only truly basic service is voice telephony; the French argue that packet switching should be considered basic.

[51] William Dawkins, "EC May Delay Telecoms Move," *Financial Times*, April 25, 1989, p. 24.

sion to retain the right to compel reforms if the states could not reach a compromise.[52]

The ministers agreed in May 1989 to liberalization for VANS but not for basic data. Spain proposed a compromise: that the Commission not enforce liberalization of services until the member states had agreed on Open Network Provision (ONP). Originally proposed in the Commission's *Green Paper*, ONP would guarantee access to the public network for private suppliers of telecoms services. France supported the Spanish proposal.[53] In September the telecoms ministers agreed that VANS should be open to competition, but there were three different positions on basic data: Britain and West Germany wanted complete liberalization by 1993; the Netherlands and Denmark said liberalization should begin in 1993; and the rest wanted basic data communications to remain a public monopoly indefinitely.

A compromise emerged unexpectedly from a special meeting of telecoms ministers in December 1989.[54] Ministers agreed to liberalize the services market beginning April 1, 1990. All VANS would be open to competition immediately. Basic data communications would be open to competition starting in January 1993. States can impose conditions in granting licenses for basic data services, but the Commission must approve national licensing schemes in order to guarantee that they are not used to protect state monopolies. The Commission's directive (90/388/EEC) was accordingly issued on June 28, 1990, declaring that member states "shall withdraw all special or exclusive rights for the supply of telecommunications services other than voice telephony and shall take the measures necessary to ensure that any operator is entitled to supply such services."[55] However, as Peter Cowhey points out, events have opened the door for private operators to chip away even at the PTT monopoly on voice telephony. In addition, EC competition commissioner Leon Brittan declared in early 1992 that the Commission might decide during the course of the year to abolish national monopolies on voice transmission.[56]

At the December meeting the ministers also approved the Commis-

[52] Hugo Dixon, "Paris and Bonn Seek Accord on Telecom Market," *Financial Times*, June 13, 1989, p. 2.

[53] William Dawkins, "Brussels and EC Countries Stake Out Telecoms Battle Lines," *Financial Times*, May 5, 1989, p. 2.

[54] Tim Dickson, "EC Move to Open Telecoms Market," *Financial Times*, December 8, 1989, p. 24; *Times* (London), December 9, 1989, p. 21.

[55] Commission directive of June 28, 1990 (90/388/EEC), *Official Journal of the European Communities*, no. L 192/15 (1990).

[56] Cowhey (fn. 8), 200; "Phone Service Monopoly under Review," *Eurecom* 4 (February 1992), 3.

sion's proposed directive on Open Network Provision.[57] The goal of ON is to guarantee that telecoms services can be offered and utilized any where in the Community. The Council translated its agreement of De cember 1989 on ONP into a binding directive (90/387/EEC), issued simul taneously with the Commission's services directive on June 28, 1990. Th directive declares that its intent is to harmonize the "conditions for ope and efficient access to and use of public telecommunications networks. In particular, its goal is to "facilitate the provision of services" in membe states other than the home country of the service provider.[58]

The Commission has since begun to propose concrete measures fc implementing ONP. The first draft directive concerns the liberalization c leased lines. In Europe companies have been prohibited from offerin telecoms services to third parties over lines rented from the PTT. In th United States the market for value-added services has boomed becaus service providers are allowed to offer services over leased lines or to rese capacity on them. In February 1991 the Commission forwarded to th Council a draft directive to liberalize the use and resale of leased line: by ensuring open and harmonized access to rented lines in all EC net works. Not only will the directive spur growth in the VANS market, bu it will also enhance the ability of major users to develop and customiz private networks (those dedicated to intracompany uses).[59] After amend ments by the European Parliament, the Council reached a common pc sition on the directive in November 1991.[60]

The final area in which the Commission has pushed for liberalizatio is that of public procurement. Until recently four "excluded sectors have been exempted from application of EC rules requiring openness i bidding on public sector contracts: water, energy, transport, and telecom munications. The Commission proposed in July 1990 that the four ex cluded sectors be opened, so that firms from all EC countries would hav an equal chance in bidding for public procurement contracts.[61] A direc tive of September 1990 accomplished this goal for "works and supplies (material and equipment); as of late 1991 its provisions had been ap proved by the Council, with the exception of the appeals procedure. Th Commission submitted a draft directive in September 1991 that woul

[57] "EC Ministers Reach Agreement on ONP and Service Provision," *Telecommunications* I (January 1990), 11; Tim Dickson, "EC Move to Open Telecoms Market," *Financial Time* December 8, 1989, p. 24; *Times* (London), December 9, 1989, p. 21.

[58] Council directive of June 28, 1990 (90/387/EEC), *Official Journal of the European Com munities*, no. L 192/2 (1990).

[59] *Agence Europe*, February 23, 1991.

[60] *Agence Europe*, October 26, 1991, and November 5, 1991.

[61] *Official Journal of the European Communities*, no. C216/8 (1990).

open public contracting for services in the excluded sectors to EC-wide bidding.[62] Whatever happens with the latter proposal, public procurement of telecommunications goods and equipment opened to competitive bidding in 1992.[63]

In short, the core of the Commission's plan for liberalizing telecoms markets survived the battles intact. The Commission initiated the proposals for market opening, set the agenda for Community deliberations, and pushed for approval of specific directives. In every instance, the Commission was ahead of the member states in its objectives for EC-level reforms; in many instances Commission proposals had to overcome the resistance of major member states. The result is that the Commission now has a more solid grasp than it began with on independent powers to open telecoms markets to competition. In fact, the Commission published guidelines in September 1991 concerning the application of EC competition rules—an area where the Commission can act directly, without Council approval—to the telecoms sector. The guidelines reflect the Commission's stronger position in the wake of the court ruling upholding its use of Article 90.[64]

Conclusions

In less than a decade the former patchwork of national telecommunications fiefdoms has changed into a regime in which R and D planning, standards, and market opening are subject to extensive collective action. This paper has made the case that the cooperative dimension in EC telecommunications reform is largely the result of Commission leadership.

The evidence presented here raises serious questions about neorealist hypotheses concerning international institutions and cooperation generally and about the EC specifically. For instance, Joseph Grieco has argued that because of state concerns for relative capabilities, international institutions are "unable to mitigate anarchy's constraining effects on inter-state cooperation."[65] That generalization must now be viewed skeptically on empirical grounds. Writing on the Single European Act, An-

[62] CEC, *Communication from the Commission to the European Parliament: Council Common Position on Procurement Procedures of Entities Operating in the Water, Energy, Transport and Telecommunications Sectors*, SEC (91) 1609 final (Brussels: CEC, 1991); *Agence Europe*, September 26, 1991, and September 28, 1991.

[63] Lucy Kellaway, "A Definite Article of Dissent," *Financial Times*, April 19, 1990, International Telecommunications Survey, p. 3.

[64] CEC, "Guidelines on the Application of EEC Competition Rules in the Telecommunications Sector," *Official Journal of the European Communities*, no. C 233 (September 6, 1991).

[65] Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism," *International Organization* 42 (Summer 1988), 485.

drew Moravscik employs a "modified structural realist" approach and argues that "the primary source of integration lies in the interests of states themselves and the relative power each brings to Brussels."[66] But in telecoms Britain—the state that might have been expected to take the lead in EC telecoms policy—did not. Britain was deregulating faster than the other states and should have had a powerful incentive to see parallel reforms in the other EC states. Yet, although the British government supported most of the Commission's telecoms plans, it neither produced a single initiative nor took a strong public role in pressing other governments to deregulate faster. The telecommunications case suggests that the strongly intergovernmental approach to EC politics underestimates the role of EC institutions in promoting collective action within the Community.

With regard to telecommunications, Stephen Krasner argues that the United States has used its power to induce telecoms reform in other states.[67] Unfortunately, Krasner does not specify how U.S. power was deployed in Europe or how it produced the results he claims for it. In fact, a striking aspect of U.S. telecoms reforms is that the government failed completely to use the opening of U.S. telecoms markets as a lever to induce other states to do likewise. This failure stems in part from the central role played by the judicial branch in U.S. telecoms deregulation—a role that hardly squares with the neorealist conception of unitary actor governments employing power to achieve international objectives. As this study clearly shows, technological changes provoked telecoms reforms in Europe, and the direction and character of those reforms were driven by factors internal to the Community—not by American pressure.

To the contrary, the empirical record fits the analytical framework presented in this essay. The two conditions posited to be necessary for collective action to arise—adaptation in national governments and international leadership—were both present in the case of EC telecoms reform. Furthermore, my proposition that international organizations can exercise international leadership on behalf of collective action is supported by the role played by the Commission of the European Communities. Technological innovations had produced pressures on traditional state telecoms monopolies, and by the mid-1980s national governments were in a process of policy adaptation. But however well the technological and market changes account for national reform efforts, they in no

[66] Moravscik, "Negotiating the Single Act: National Interests and Conventional Statecraft in the European Community," *International Organization* 45 (Winter 1991), 47.

[67] Krasner (fn. 1).

way explain the extensive collective action that emerged at the EC level. Indeed, European cooperation was not the ineluctable result of national reforms. Liberalization in one country is, after all, commonplace—witness the United States, Japan, the United Kingdom, New Zealand, and Australia. The Commission provided the leadership to organize collective action in telecoms in the European Community.

Finally, one can ask whether the Commission exerted independent nfluence or simply shaped its proposals to fit what the major states al-ready desired. The evidence clearly supports an independent role for the Commission; its proposals were consistently ahead of what the major tates were contemplating on their own at the time. Indeed, already in 979 Davignon had outlined the intellectual rationale and basic goals for a Community telecommunications strategy. The member governments esponded to Commission proposals, not vice versa. In some cases far-eaching Commission initiatives had to overcome the objections of major tates.

Davignon and the Commission clearly displayed entrepreneurial lead-rship on behalf of R and D: they proposed collective action, mobilized upport, and promoted compromises. In 1979 and 1980, Davignon and he IT Task Force were already formulating an EC R and D strategy for he telecommunications sector. The Senior Officials Group for Telecom-nunications (SOGT) was created at Commission request, used Commis-ion proposals as the basis for its discussions, and approved the "lines of ction" laid out by the Commission in September 1983. Davignon initi-ted meetings in 1983 with executives of the same twelve Roundtable ompanies that had helped to launch ESPRIT. By summer 1984 the Com-nission and industry had a detailed work plan for RACE. This plan was ne basis for the program that won approval from the governments in 987.

In standards, the Commission led in establishing an entirely new set f institutional arrangements for the creation of EC-level telecoms stan-ards. It succeeded in establishing the European Telecommunications tandards Institute, which is taking over the standards functions of the EPT. Furthermore, the Commission won for itself a central role in set-ng the agenda for ETSI (as well as for CEN and CENELEC)—an arena in which the Commission had previously not had a role at all.

On the liberalization of telecoms markets, Britain was the only state that might seem to have been a step ahead of the Commission. Yet Dav-gnon and the Commission announced clear ideas about liberalizing EC elecoms before the new Thatcher government had time to develop its wn program. Commission documents in 1979 and 1980 argued for open

European markets in telecommunications. It was not until 1981 that the Thatcher government created British Telecom (BT) and licensed its first competitor, Mercury; and it was not until 1984 that BT was partially privatized. As for other states, the Commission could not have been following their national telecoms liberalization plans, because these had not yet been defined. Dutch and Italian reports on domestic liberalization came out only in 1985. France began to liberalize in 1986 and 1987. German and Belgian reports urging deregulation date from 1987. In short, the Commission had proposed EC-wide liberalization measures years before the national governments defined their domestic reforms.

Even more impressive is the Commission's drive to open the EC markets for telecoms equipment and services by means of Article 90 directives that did not require approval by the member governments. Several states—including France, Germany, and Italy—challenged the terminals directive in the European Court of Justice, which ruled in favor of the Commission. Implementation of the directives has proceeded.

To conclude, European telecommunications is in the midst of a radical transformation. The former regime, centered on CEPT, enshrined national autonomy as the guiding principle. PTTs held monopolies over virtually every aspect of telecoms (networks, equipment, services). The new regime espouses the norm of Community-wide compatibility of equipment and services and eventually of an integrated European broadband network. The new regime is creating rules about mutual recognition, EC-level standards, and competition in terminals and services. New decision-making procedures are emerging, with the Commission at the center of them.

Adaptation at the national level, as a response to the technological revolution in telecommunications, created an environment in which proposals for change could find a receptive audience. But the adaptive process within states in no way necessitated collective action at the European level. International leadership was necessary to organize the cooperative dimension of reform. As the Commission role in EC telecommunications reforms confirms, international institutions can be a source of effective leadership on behalf of collective action.

IDEAS, INSTITUTIONS, AND THE GORBACHEV FOREIGN POLICY REVOLUTION

By JEFF CHECKEL*

INTRODUCTION

IT has become almost a commonplace in both academic and popular analyses that the Gorbachev revolution in foreign and security affairs represented a triumph of knowledge and reason over dogmatic Leninist ideology.[1] Underlying this simple statement of fact (for it is indeed true) is the even more basic realization that "ideas" and new knowledge played a key role in bringing about the monumental changes in Soviet international behavior during the Gorbachev era.

To trace the intellectual antecedents of Gorbachev's new thinking on foreign policy, one need only peruse back issues (in some cases dating to the 1960s) of any one of several Soviet academic journals dealing with international affairs.[2] Indeed, Soviet academic writing on international relations during the Khrushchev and Brezhnev eras gives one a sense of being "present at the creation" of the ideological underpinnings of the new thinking.[3]

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[1] See, e.g., Elizabeth Valkenier, "New Soviet Thinking about the Third World," *World Policy Journal* 4 (Fall 1987), 653–54; and Thane Gustafson, "Conclusions: Toward a Crisis in Civil-Military Relations?" in Timothy Colton and Gustafson, eds., *Soldiers and the Soviet State: Civil-Military Relations from Brezhnev to Gorbachev* (Princeton: Princeton University Press, 1990), 343. In the popular press, see "Think-Tanks: The Carousels of Power," *Economist*, May 25, 1991, p. 26; and "This Year's Economist," *New York Times*, June 23, 1991, p. 14.

[2] Allen Lynch provides a good overview of the intellectual origins of the new thinking; Lynch, *Gorbachev's International Outlook: Intellectual Origins and Political Consequences*, Occasional Paper no. 9 (New York: Institute for East-West Security Studies, 1989).

[3] See, especially, William Zimmerman, *Soviet Perspectives on International Relations, 1956–67* (Princeton: Princeton University Press, 1969); Elizabeth Valkenier, *The Soviet Union and the Third World: An Economic Bind* (New York: Praegar, 1983); Jerry Hough, *The Struggle for the Third World: Soviet Debates and American Options* (Washington, D.C.: Brookings Institution, 1986); Allen Lynch, *The Soviet Study of International Relations* (New York: Cambridge University Press, 1987); and Stephen Shenfield, *The Nuclear Predicament: Explorations in Soviet Ideology* (New York: Routledge and Kegan Paul, 1987).

So ideas—the concepts and intellectual frameworks of Soviet academic specialists—mattered tremendously in the development of the Gorbachev revolution. Put another way, the relationship of expert knowledge to political power and state behavior appears to have changed fundamentally under Gorbachev. How can we explain this new relationship? Was it an inevitable consequence of the modernization and socioeconomic change that any mature postindustrial polity experiences?[4] Was it the result of factors unique to the former USSR—in particular, the coming to power of a new and more enlightened generation of leaders?[5] Was it a consequence of the actions of transnational, knowledge-based communities of experts—so-called epistemic communities?[6] Was the new relationship (and, more generally, the Gorbachev revolution) the result of a process of adaptation to a fundamentally changed international system?[7]

Most of the above explanations force an either-or approach to understanding state behavior—either domestic-level variables *or* the international system.[8] I argue, however, that a full understanding of the new relationship between knowledge and Soviet state behavior requires an explanatory framework that integrates *both* domestic and international levels of analysis.[9] Although this argument may seem rather obvious, it is one that only very recently has come to receive serious attention in the

[4] Jack Snyder, "The Gorbachev Revolution: A Waning of Soviet Expansionism?" *International Security* 12 (Winter 1987–88), 93–131. Snyder essentially makes this argument. See also Philip Tetlock, "Learning in U.S. and Soviet Foreign Policy: In Search of an Elusive Concept," in George Breslauer and Philip Tetlock, eds., *Learning in U.S. and Soviet Foreign Policy* (Boulder, Colo.: Westview Press, 1991), 36.

[5] Stephen Meyer stresses the importance of leadership variables; Meyer, "The Sources and Prospects of Gorbachev's New Political Thinking on Security," *International Security* 13 (Fall 1988).

[6] For a comprehensive overview of the epistemic-communities approach, see Peter M. Haas, ed., "Knowledge, Power, and International Policy Coordination," *International Organization* 46 (Winter 1992). This is a special issue of *IO* dedicated to the epistemic approach.

[7] Daniel Deudney and G. John Ikenberry, "The International Sources of Soviet Change," *International Security* 16 (Winter 1991–92). The authors list no fewer than eight international sources for the changes in Soviet foreign behavior under Gorbachev.

[8] The epistemic-communities literature is an exception to this generalization; see Haas (fn. 6).

[9] This essay thus contributes to a growing body of international relations literature that combines levels of analysis to arrive at more comprehensive explanations of state behavior. This literature has developed partly in response to Kenneth Waltz's theory of structural realism, with its heavy emphasis on one level—international system structure—for understanding state behavior. See Waltz, *Theory of International Politics* (Menlo Park, Calif.: Addison-Wesley, 1979). For important critiques of Waltzian and other structural arguments, see Robert Keohane, "Theory of World Politics: Structural Realism and Beyond," in Keohane, ed., *Neorealism and Its Critics* (New York: Columbia University Press, 1986); Timothy McKeown, "The Limitations of 'Structural' Theories of Commercial Policy," *International Organization* 40 (Winter 1986); Robert Keohane and Joseph Nye, Jr., *Power and Interdependence*, 2d ed. (Boston: Scott, Foresman, 1989), afterword; and John S. Odell, "Understanding International Trade Policies: An Emerging Synthesis," *World Politics* 43 (October 1990).

literature on change in Soviet (and now post-Soviet) international behavior.[10]

The argument in brief is as follows. The appearance of a new ideology of international affairs in Soviet policy under Gorbachev was in no way preordained by a changing international system or domestic modernization processes. Rather, a changing external environment and the advent of a reformist general secretary created a series of policy windows through which aspiring policy entrepreneurs jumped. These purveyors of new concepts and ideologies—individual academic specialists and heads of research institutes—did not, however, operate in a vacuum. They acted within institutional and political settings that at different times either constrained or enhanced their ability to influence policy.

After more fully explicating the explanatory framework, I assess its utility by conducting a case study of one particularly important set of specialists in the former USSR: those at the Academy of Sciences Institute of the World Economy and International Relations (IMEMO). As IMEMO has long been considered one of the most important foreign policy think tanks in the Soviet Union/Russia, a study of its role in shaping the Gorbachev foreign policy revolution should help to improve our understanding of the relationship among ideas, institutions, and state behavior. I conclude with an assessment of the implications of the analysis for several ongoing debates in the international relations literature.

Windows, Entrepreneurs, and Institutions

Scholars in the field of international relations have spent much of the past thirty years engaged in an often not very fruitful debate over the level-of-analysis issue in the study of state behavior.[11] One problem in this debate is confusion over what precisely the subject is. Is it broad patterns of state interaction over time (for example, the seemingly recurrent formation of balances of power), or is it the foreign policy behavior of particular states? Even the most adamant systems-level theorist would admit that while international levels of analysis may be sufficient for the former, they need to be supplemented by domestic levels if the latter

[10] See, e.g., Robert Legvold, "Soviet Learning in the 1980s," in Breslauer and Tetlock (fn. 4), 684–87, 720–26. Also addressing this issue is Thomas Risse-Kappen, "Did 'Peace through Strength' End the Cold War? Lessons from INF," *International Security* 16 (Summer 1991).

[11] The seminal work on the level-of-analysis problem remains J. David Singer, "The Level-of-Analysis Problem in International Relations," *World Politics* 14 (October 1961). This debate continues to the present. See, e.g., the divergent predictions of a number of international relations specialists on the future of European security in the new, post–cold war world, in Sean Lynn-Jones, ed., *The Cold War and After: Prospects for Peace* (Cambridge: MIT Press, 1991).

topic is being examined.[12] Lack of precision in specifying the topic of explanation has led more than one analyst astray.[13]

A second, more troubling aspect of the debate is that until recently the accepted wisdom has held that it was appropriate to maintain different levels of analysis, especially in terms of theory development.[14] In recent years, however, a growing number of scholars—first, in the subfield of international political economy (IPE) and, more recently, in the foreign policy/security area—have argued the need for integrating domestic and international levels of analysis to explain topics as diverse as regime formation, international trade policy, foreign policy decision making, alliance behavior, and security policy.[15]

This is not to deny the importance of international/structural sources of state behavior. Rather, it is to argue that systems-level explanations are inherently limited: they define the universe of possible outcomes but do not explain why particular ones occur.[16] The challenge for theorists is to develop analytic frameworks that explore the dynamic between international and domestic variables, a dynamic that ultimately determines the character and content of particular policy outcomes.[17] Put another way, theories that analyze domestic "decision processes as well as [sys-

[12] A point clearly recognized by Kenneth Waltz (fn. 9), 122–23. See also Thomas Christensen and Jack Snyder, "Chain Gangs and Passed Bucks: Predicting Alliance Patterns in Multipolarity," *International Organization* 44 (Spring 1990), 137–38.

[13] See, e.g., Michael Mandelbaum, *The Fate of Nations: The Search for National Security in the Nineteenth and Twentieth Centuries* (New York: Cambridge University Press, 1988). Mandelbaum utilizes—unsuccessfully—international-level structural theories to explain the security policies of particular states.

[14] McKeown (fn. 9), 56.

[15] In the IPE literature, see, among others, McKeown (fn. 9); Paul Rohrlich, "Economic Culture and Foreign Policy: The Cognitive Analysis of Economic Policymaking," *International Organization* 41 (Winter 1987); Stephan Haggard and Beth Simmons, "Theories of International Regimes," *International Organization* 41 (Summer 1987), 513–17; Keohane and Nye (fn. 9), 257–67; Odell (fn. 9); and Emanuel Adler and Peter Haas, "Conclusion: Epistemic Communities, World Order, and the Creation of a Reflective Research Program," in Haas (fn. 6), 367–69. In the foreign policy/security studies subfield, see Timothy McKeown, "The Foreign Policy of a Declining Power," *International Organization* 45 (Spring 1991), 278–79; Michael Barnett and Jack Levy, "Domestic Sources of Alliances and Alignment: The Case of Egypt, 1962–73," *International Organization* 45 (Summer 1991), 370–74, 393–95; Risse-Kappen (fn. 10); and Helga Haftendorn, "The Security Puzzle: Theory Building and Discipline Building in International Security," *International Studies Quarterly* 35 (March 1991), 13. Robert Putnam provides an important theoretical treatment and argument for integrating domestic and international levels. See Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization* 42 (Summer 1988).

[16] For a recent and perceptive review of the debate over structural/systemic theories, see Stephan Haggard, "Structuralism and Its Critics: Recent Progress in International Relations Theory," in Emanuel Adler and Beverly Crawford, eds., *Progress in Postwar International Relations* (New York: Columbia University Press, 1991).

[17] In the IPE subfield, this dynamic has recently been theoretically argued and empirically demonstrated by G. John Ikenberry. See Ikenberry, "A World Economy Restored: Expert Consensus and the Anglo-American Postwar Settlement," in Haas (fn. 6).

[syst]ematically/structurally influenced] decision outcomes are stronger the[o]ries than those which purport merely to explain outcomes."[18]

Another problem left unexplained by an approach that focuses on in[t]ernational sources is the timing of the changes. Why did the moderation in Soviet international behavior begin under Gorbachev and not before? As has recently been persuasively argued, a number of international factors contributed to this moderation,[19] yet many of them were in no sense new. Some—such as nuclear weapons and the liberal capitalist system of states—had already been present in the international system for decades.[20] To answer the question of why they only became influential determinants of Soviet policy under Gorbachev, then, one needs to explore the *interaction* between international and domestic-level variables.[21] This mandates a certain tolerance for theoretical pluralism, as well as the development of explanatory frameworks with multiple levels of analysis.[22]

Acceptance of the need to link domestic and international levels of analysis to understand more fully changes in Soviet/post-Soviet external behavior then raises additional questions. What factors should be examined at the domestic level? What is the nature of the interaction between domestic and international levels? On the first question, both the IPE and comparative politics literatures have made an important contribution by reminding us that ideas—in particular, specific sets of ideas or ideologies, intellectual frameworks, and concepts—can be important determinants of state behavior.[23]

[18] McKeown (fn. 9), 56. Advancing a similar argument are Yale Ferguson and Richard Mansbach, "Between Celebration and Despair: Constructive Suggestions for Future International Theory," *International Studies Quarterly* 35 (December 1991), 374–75. In an interesting parallel to the move away from structural/systemic theories within the international relations field, several scholars in the comparative politics literature have recently argued that domestic-level structural arguments must likewise be supplemented, in this case, to make better sense of the political phenomena of concern to comparativists. See especially Peter Hall, "Conclusion: The Politics of Keynesian Ideas," in Hall, ed., *The Political Power of Economic Ideas: Keynesianism across Nations* (Princeton: Princeton University Press, 1989), chap. 14; Kathryn Sikkink, *Ideas and Institutions: Developmentalism in Brazil and Argentina* (Ithaca, N.Y.: Cornell University Press, 1991), 19; Timur Kuran, "Now out of Never: The Element of Surprise in the East European Revolution of 1989," *World Politics* 44 (October 1991), 13–25; and Russell Bova, "Political Dynamics of the Post-Communist Transition: A Comparative Perspective," *World Politics* 44 (October 1991), 122, 126–36.

[19] Deudney and Ikenberry (fn. 7). The authors are to be commended for their systematic treatment of this neglected issue.

[20] Deudney and Ikenberry themselves admit that their explanation is overdetermined: "Given the number of variables that suggest shifts to accommodation [in Soviet policy], the question may not be why it happened, but why did it not happen earlier?" Deudney and Ikenberry (fn. 7), 116.

[21] A point clearly recognized even by Deudney and Ikenberry (fn. 7), 116.

[22] On this, see, especially, Matthew Evangelista, "Sources of Moderation in Soviet Security Policy," in Philip Tetlock et al., eds., *Behavior, Society, and Nuclear War*, vol. 2 (New York: Oxford University Press, 1991).

[23] These literatures, which sit at the intersection of comparative politics and international

The notion that ideas matter, however, begs a more important question: how and under what conditions are they influential determinants of policy? As John Kingdon has argued in the public policy field, the issue is not so much the origins of ideas (although this is certainly of interest) as it is the factors that help particular ideas take hold and grow.[24]

Earlier writing on the role of ideas in politics examined their influence primarily from an individual level of analysis, emphasizing the importance of ideas held by particular individuals.[25] More recently, however, several analysts have argued that to understand what makes certain ideas take hold and grow, one must look beyond the individual to the role of institutions as well.[26]

This latter writing provides the theoretical basis for my research on change in Soviet international behavior. I explore the influence of ideas on Soviet/Russian state behavior by examining the institutional and political contexts that have shaped and filtered these ideas. I assign a key role to the ideas of particular individuals and examine how institutional and political variables constrain or enhance their ability to influence policy. Furthermore, I argue that changing systems-level variables can and often does provide these "peddlers" of new ideas with opportunities to advance them.

More specifically, my dependent variable is the dramatic change that began in late 1985 in the Soviet political leadership's understanding of the issues, actors, and fundamental dynamics of the international environment within which the USSR operated. The independent variables are the set of beliefs and attitudes on international politics developed and held by Soviet academic specialists, the role of institutions, political factors, and changes in the international system. Some theorists might prefer a shorter list of causal variables, but, as has been argued in other

relations, include John Odell, *U.S. International Monetary Policy: Markets, Power and Ideas as Sources of Change* (Princeton: Princeton University Press, 1982); Emanuel Adler, "Ideological 'Guerrillas' and the Quest for Technological Autonomy: Brazil's Domestic Computer Industry," *International Organization* 40 (Summer 1986), 673–705; idem, *The Power of Ideology: The Quest for Technological Autonomy in Argentina and Brazil* (Berkeley: University of California Press, 1987); Peter Hall, *Governing the Economy: The Politics of State Intervention in Britain and France* (New York: Oxford University Press, 1986), 276–280; Hall (fn. 18); and Sikkink (fn. 18). For especially useful definitional and theoretical overviews of the role of ideas in politics, see Odell, chap. 6; and Sikkink (fn. 18), chap. 1.

[24] Kingdon, *Agendas, Alternatives and Public Policy* (Boston: Little, Brown, 1984), 75–77.

[25] See, e.g., Odell (fn. 23), chap. 2.

[26] See, especially, Judith Goldstein, "Ideas, Institutions and American Trade Policy," *International Organization* 42 (Winter 1988); idem, "The Impact of Ideas on Trade Policy: The Origins of U.S. Agricultural and Manufacturing Policies," *International Organization* 4[illegible] (Winter 1989); and Sikkink (fn. 18), chap. 7.

contexts, such parsimony would be gained at the expense of capturing the full array of factors affecting a complex process.[27]

My approach departs in two ways from the explanatory frameworks advanced in recent writings on ideas and politics. First, I explore more systematically the interaction between the individual and institutional levels of analysis. Second, I suggest a route by which systemic, external-level stimuli enter the domestic policy process and create "windows" for the promotion of particular ideas or views.[28]

In the case of the former USSR, academic specialists and research institutions under the aegis of the Academy of Sciences have been an important source of new ideas in Soviet politics over the past twenty-five years. In contrast to previous writing on these specialists, however, I do not see them as completely "free agents" who independently form their ideas and conceptual frameworks.[29] Rather, I see them as operating within an institutional context that often influences their behavior in important ways.[30] Thus, I am sympathetic to what has come to be called the "new institutionalism."[31] If nothing else, this perspective reminds us that institutions—their standard operating procedures and structures—matter. There is indeed abundant empirical evidence in the West that "processes internal to political institutions, although possibly triggered by external events, affect the flow of history."[32]

Applied to the Soviet/post-Soviet case, the argument holds that the ideas and intellectual outlooks of specialists are filtered through the in-

[27] Hall (fn. 23), 259–60. See also Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987), 25. Using slightly different language to make the same point, Gilpin argues that "eclecticism may not be the route to theoretical precision, but sometimes it is the only route available." As I will suggest in the last section of the article, the revolutions in Eastern Europe and the dissolution of the USSR—by providing a large set of real-world cases where states are undertaking major reorientations in their foreign policies—offer an important opportunity to control more carefully for the influence of each of the four causal variables in the framework.

[28] Recently, a number of scholars have suggested another mechanism—transnational epistemic communities—by which external-level variables can enter the domestic policy process. See, e.g., the contributions in Haas (fn. 6). I will address this literature in the article's concluding section.

[29] Previous analyses of these specialists do see constraints on their behavior, but they are of a general nature and apply equally to most other participants in the process as well. See, e.g., Hough (fn. 3), 16–18.

[30] For the theoretical and empirical justification of this viewpoint, see Jeff Checkel, "Organizational Behavior, Social Scientists and Soviet Foreign Policymaking" (Ph.D. diss., Massachusetts Institute of Technology, 1991).

[31] See, especially, James March and Johan Olsen, "The New Institutionalism: Organizational Factors in Political Life," *American Political Science Review* 78 (September 1984), 734–49; and idem, *Rediscovering Institutions: The Organizational Basis of Politics* (New York: Free Press, 1989). Odell (fn. 9), 152–55, provides a useful review of the most recent international political economy literature utilizing this institutionalist perspective.

[32] March and Olsen (fn. 31, 1984), 739.

stitutional settings in which they operate. Depending upon the details of a particular organization's history and sense of mission, these settings can either hinder or promote particular ideas or outlooks.[33] In others words, these specialists would be expected to respond to the "constraints and opportunities presented by [their] institutions."[34]

A challenge for the institutionalist perspective is to explain *nonincremental* change.[35] After all, despite the institutional organization of most of our social, economic, and political lives, there *are* cases of dramatic and rapid change in policy. Soviet foreign policy since 1985 is an obvious case in point. To understand such nonincremental change, one needs to turn to the individual level of analysis and explore how particular combinations of circumstances (policy windows) can be exploited to overturn existing organizational norms and constraints.

Clearly, the ability of any one individual to modify basic organizational missions is highly constrained. First, a process of selective recruitment usually ensures that individuals with a mind-set different from the dominant institutional ideology rarely join the organization.[36] Moreover, once an individual has joined, an array of bureaucratic obstacles and power relationships minimize his ability to affect the organization's behavior.[37]

Nonetheless, it must be recognized that most institutions do contain one or more individuals who rock the boat or run against the grain of the dominant mind-set. John Kingdon has called such individuals "policy entrepreneurs."[38] They seek to promote particular ideas that may or may not fit comfortably within the institution's self-defined sense of mission. Whether such a person succeeds in gaining acceptance for new

[33] On this, see also Goldstein (fn. 26, 1988, 1989). A useful review and critique of cognitive approaches such as Goldstein's is Haggard and Simmons (fn. 15), 509–13.

[34] Odell (fn. 9), 153. On the importance of institutional structures in shaping outcomes, also see Sven Steinmo, "Political Institutions and Tax Policy in the United States, Sweden, and Britain," *World Politics* 41 (July 1989).

[35] This was a central theme of the panel "Reflections on the New Institutionalism," held at the annual convention of the American Political Science Association, Washington, D.C., 1991.

[36] See Anthony Downs, *Inside Bureaucracy* (Boston: Little, Brown, 1967), 228–33. For evidence that selective recruitment occurs in an academic think tank such as IMEMO, see Checkel (fn. 30), chap. 7.

[37] Downs (fn. 36), chaps. 6, 12; James Thompson, *Organizations in Action: Social Science Bases of Administrative Theory* (New York: McGraw-Hill, 1967), 105–8; and Pasquale Gagliardi, "The Creation and Change of Organizational Cultures: A Conceptual Framework," *Organization Studies* 7 (1986), 119–21, 130–33.

[38] Kingdon (fn. 24). See also Jack Walker, "The Diffusion of Knowledge, Policy Communities and Agenda Setting," in John Tropman, Robert Lind, and Milan Dluhy, eds., *New Strategic Perspectives on Social Policy* (New York: Pergamon, 1981). The arguments about the role of policy entrepreneurs in explicitly institutional settings are taken from Checkel (fn. 30), chap. 1.

ideas depends to some extent on his or her expertise, position within the organization, negotiating skills, personality (traits such as persistence), and connections to higher-ups in the organization or outside it.

Whether or not his entrepreneurial skills have the desired effect also depends on the external environment in which his institution operates. Two particular environmental factors are important: (1) whether there are problems in that external setting that could be solved in whole or in part by the implementation of the entrepreneur's ideas; and (2) whether there are leaders in power who recognize that such problems do indeed exist.[39]

These last two variables, taken together, create an opportunity, or policy window, through which an aspiring entrepreneur can "jump" in an attempt to sell a particular idea, intellectual outlook, or policy.[40] In the foreign policy issue-area, the concept of policy window is a way of linking domestic levels of analysis to the international setting. In particular, for Soviet/Russian foreign policy specialists and their institutions, external threats or other changes in their international environment help form such a window. How wide this window opens, however, is a function of the other variable mentioned above: a political leadership willing to consider the new knowledge being purveyed by these specialists.[41]

Hence, my framework emphasizes the role of chance in the policy process. (Are entrepreneurs available? Are policy windows open?) Along with a growing number of scholars, I therefore argue for moving beyond the "stages" model of the process first developed during the 1970s and 1980s.[42]

To sum up, to understand the role and influence of ideas on Soviet/Russian foreign policy, one has to integrate factors operating at several levels of analysis. My clear bias is toward the importance of domestic variables: individual policy entrepreneurs and their ideas, institutional settings, and enlightened political leadership.

As I have suggested, however, by creating policy windows, a changing

[39] On the former point, a number of analysts agree that the influence of new ideas is partly a function of their ability to solve key problems faced by political decision makers. See, e.g., Hall (fn. 18), 386–89; Sikkink (fn. 18), 247; Ikenberry (fn. 17), 318–21; and Adler and Haas (fn. 15), 380.

[40] On this, see Michael Cohen, James March, and Johan Olsen, "A Garbage Can Model of Organizational Choice," *Administrative Science Quarterly* 17 (March 1972), 1–25; and Kingdon (fn. 24), 89–94.

[41] Taking a slightly different approach, Evangelista (fn. 22), 275–77, 335–36, has also suggested the importance of policy entrepreneurs and windows for understanding changes in Soviet international behavior under Gorbachev.

[42] I will return to this point in the article's concluding section. The stages heuristic typically divides the process into a logical sequence, for example, agenda setting, option formulation, decision selection, and implementation.

external environment also matters. It is simply impossible to understand the shift to moderation in Soviet international behavior under Gorbachev (and the influence of new ideas and concepts) without an appreciation of the changing international environment and the deteriorating external situation facing the USSR in the early 1980s.

The Reagan military buildup, the recovery in many Western capitalist countries from the economic stagflation of the 1970s, the technological challenge of SDI, the crisis in Poland, and the failure of the Afghan intervention did indeed matter. These events created windows and opportunities and thus helped begin a process that eventually led to a revolutionary redefinition of Soviet state interests in the international arena.[43] This occurred through an interaction among individual/cognitive, institutional, and leadership variables.

This framework, with its multivariate emphasis, obviously sacrifices parsimony and generalizability for a deeper understanding of a particular instance of change in state behavior (albeit one without precedent in seventy years of Soviet history). The potential payoff, however, is at least twofold. First, within the field of Soviet/post-Soviet studies this kind of analysis can contribute to the ongoing and painfully slow process of bringing the study of the former USSR back into the mainstream of contemporary social science.[44] The events of August 1991 and the subsequent demise of the Soviet Union have, if anything, reinforced the need for such a reintegration.

Second, within the broader international relations field, this study can contribute to several of the more promising research programs, because of its explicit focus on the relationship of knowledge to power and the links between domestic and international variables.

Academic Expertise and the Gorbachev Revolution

As far back as late 1986 several Western analysts had recognized that Gorbachev's foreign policy reforms were quite different from those of Brezhnev and Khrushchev. In particular, Gorbachev did more than sim-

[43] As an anonymous reviewer has correctly noted, I am essentially arguing that ideas as influence are partially "demand-driven," that is, turned to when structural or other changes in the international system trigger a search. Although such sources may prompt this search, the degree of influence new ideas ultimately have on policy depends on the array of *domestic* variables discussed above.

[44] On this, see, especially, Frederic Fleron, ed., *Communist Studies and the Social Sciences: Essays on Methodology and Empirical Theory* (Chicago: Rand McNally, 1969); Jack Snyder, "Richness, Rigor and Relevance in the Study of Soviet Foreign Policy," *International Security* 9 (Winter 1984–85); idem, "Science and Sovietology: Bridging in the Methods Gap in Soviet Foreign Policy Studies," *World Politics* 40 (January 1988); and Evangelista (fn. 22), 259–60.

ply bring in new people (for example, Shevardnadze as foreign minister in July 1985) and articulate new policies (such as the unilateral nuclear test moratorium announced in August 1985); he also brought in new ideas and concepts.[45] By early 1986 Gorbachev was articulating a dramatically different worldview (*mirovozzreniye*)—to borrow some Sovietspeak. The ideas and conceptual frameworks underlying it would eventually be used both to legitimize radical changes in Soviet international behavior and undercut the arguments of domestic opponents of these changes.

As many analysts have noted, this new worldview—captured in phrases such as "values common to all mankind," "global problems," "interdependence," "mutual security," and "reasonable sufficiency in defense"—was in fact not new at all. Such concepts had been articulated by various academic specialists and institutions in the USSR since at least the mid-1960s.[46] Yet it was only beginning in 1985–86 that such notions came to influence both the basic assumptions informing Soviet foreign policy and the strategic prescriptions for the USSR's national security.[47]

Gorbachev's revised basic assumptions include the following:

—an official view of the international system that stressed its interdependent nature and the advent of global problems

—a goal structure for Soviet policy that emphasized the dominance of nonclass over class values and interests

—an image of capitalism that openly questioned the Leninist orthodoxy concerning its inherent aggressiveness and militarism

And the revised strategic prescriptions are as follows:

—a new conceptualization of national security that gave first priority to mutual efforts at ensuring it

—a new criterion guiding the development of the Soviet military force posture (the principle of reasonable sufficiency of military potentials)

The specialists at IMEMO were instrumental in putting several of these issues on the Soviet public agenda. To understand why these researchers and their ideas were sometimes influential (and sometimes not), one must appreciate the institute's own history and sense of mission, how personal and institutional factors interacted and sometimes clashed within it, the role played by policy entrepreneurs and windows, and—

[45] See, e.g., Charles Glickham, "New Directions for Soviet Foreign Policy," Radio Liberty *Research Bulletin* Supplement 2/86 (September 6, 1986); and Matthew Evangelista, "The New Soviet Approach to Security," *World Policy Journal* 3 (Fall 1986).

[46] Lynch (fn. 3); and Zimmerman (fn. 3).

[47] The distinction between basic assumptions and strategic prescriptions draws on George W. Breslauer, "Ideology and Learning in Soviet Third World Policy," *World Politics* 39 (April 1987), 430–31.

most importantly—the ties it was able to establish to a reformist political leadership.

By the early 1980s IMEMO was a well-established institution that had a clearly defined sense of mission, a rather stable structure, and a well-articulated and distinctive set of beliefs about the international system.[48] The institute's sense of mission focused on the study of the political economy of contemporary capitalism, international economics, and conceptual-theoretical studies of the international system. This type of "fundamental" research was given priority over such applied topics as the study of U.S. foreign behavior or questions of international security.[49]

In the early 1980s, the institute quite aggressively promoted a distinctive ideology of international relations, including a complex empirical and essentially nonclass vision of world politics. In particular, it advocated the study of global problems such as environmental degradation and resource depletion that cut across national and—as institute scholars often pointed out—ideological boundaries.

All this ideological advocacy mattered not at all in terms of official Soviet views. Brezhnev, Andropov, Chernenko, and other elites were content to repeat the tried-and-true verities of the Marxist-Leninist dogma. Hence, leadership statements and other official documents stressed the class-based nature of the international system, downplayed or simply ignored the topic of global problems, and emphasized the importance of the international class struggle.

This result is understandable given the paucity of "access channels" through which IMEMO (and other academic institutes) could enter the policy process. In fact IMEMO's prime route for influencing policy—personal ties between institute leaders and the top political leadership—was completely disrupted in 1982 with the death of *both* longtime IMEMO head Nikolay Inozemtsev and CPSU general secretary Leonid Brezhnev.

The importance of this political context for understanding the relationship of the specialists' knowledge to Soviet policies and state behavior is highlighted even more dramatically by another event that occurred in

[48] For a recent and authoritative overview of the ideology of international relations developed at IMEMO during the 1970s and early 1980s, see Yevgeniy Primakov, "Uchenyy, rukovoditel', chelovek (k 70-letiyu akademika N.N. Inozemtseva)," *Mirovaya ekonomika i mezhdunarodnye otnosheniya* (hereafter *Memo*) 4 (April 1991), 104–10. Primakov had served as a deputy director of IMEMO for seven years in the 1970s and returned as its director for several years in the mid-1980s.

[49] This assessment of IMEMO's sense of mission is derived from (1) a review of institute literature and programmatic statements by IMEMO's top leadership concerning its research agenda, both over a sixteen-year period (1964–71, 1980–87); (2) an examination of the training and background of key institute leaders; (3) a quantitative analysis of the subject matter of articles published in IMEMO's journal, *Memo*; (4) interviews with institute researchers and leaders; and (5) a review of the various graduate degree programs offered at IMEMO.

1982, when IMEMO was the target of a pressure campaign that had backing at high levels within the CPSU. This campaign, which included the arrest of a deputy director and the formation of a CPSU/KGB investigatory commission, had a tremendous influence on the institute's behavior.

IMEMO's remaining access channel to the political process—aside from personal connections to top political leaders and their staffs and occasional reports sent to the Central Committee (many of which were never read)—was its publications, especially its monthly journal *Memo*. Yet because of this political interference, *Memo*, for the first and only time in a sixteen-year period from the 1960s into the 1980s, virtually lost its "voice" during 1982. For example, the institute's strident advocacy of the need to study global problems, which had been so evident in the early 1980s, nearly disappeared from the pages of *Memo* during 1982 and early 1983.

IMEMO's fortunes, and ultimately its ability to use its expert knowledge to influence Soviet policy, took a dramatic turn for the better in the last half of 1983, with the appointment of Aleksandr Yakovlev as institute head. This change, it turns out, was largely a product of chance. Gorbachev had met Yakovlev during the summer of 1983 while touring Canada, where Yakovlev was ambassador.[50] The two men hit it off, and Gorbachev decided he wanted Yakovlev back in Moscow. Needing a "safe" place for Yakovlev (that is, not a high party or government post), Gorbachev "parachuted" him into a convenient and relatively safe position that happened to be open: the directorship of IMEMO.[51]

After his appointment in September 1983, Yakovlev quickly began to exploit his new position and mobilized the institute in a dramatic way to advance several radical positions—positions that within eighteen months began to find their way into Gorbachev's own speeches. Put another way, Yakovlev, the policy entrepreneur, was exploiting an emerging policy window to influence the views of a political leader, Gorbachev, to whom he had direct access.

How did Yakovlev mobilize the institute? As institute researchers re-

[50] Yakovlev was essentially in "exile" at this time. He had been posted to Canada in 1973, after losing a battle with conservative Russian nationalist elements within the Communist Party. Prior to 1973 he had spent most of his adult life working in the central apparatus of the CPSU, mainly in its propaganda, science, and culture sections. In notable contrast to most apparatchiks, Yakovlev was well educated. He held a doctorate (in historical sciences) along with the academic rank of professor and had spent a year as an exchange student at Columbia University in the late 1950s.

[51] On this, see also Arkadiy Vaksberg, "Priglasheniye k sporu: Zametki na polyakh knigi A.N. Yakovleva 'Kakim my khotim videt' Sovetskiy Soyuz'," *Literaturnaya gazeta*, May 15, 1991, p. 3. The directorship of IMEMO was open because Vladlen Martynov, who had taken over as the institute's leader in the wake of Inozemtsev's death, was officially only its acting director.

count it, he brought a more open atmosphere to IMEMO and encouraged serious, scholarly research, while downplaying Marxist-Leninist dogma.[52] Moreover, under his leadership, several new rubrics specifically intended as a forum for unorthodox, controversial views were introduced in the institute's journal, *Memo*. In other words, Yakovlev, the acknowledged mastermind behind Gorbachev's later policy of glasnost, was already implementing within IMEMO reforms much in the spirit of this policy.

The policy window Yakovlev exploited was a function of two factors, both of which were apparent by the first half of 1984: (1) Soviet foreign policy had reached a low point not seen in decades (perhaps in the whole postwar era); and (2) Gorbachev was now the clear heir apparent to Chernenko and had made known his openness to new ideas on foreign and security policy.[53] While these two factors created the policy window for Yakovlev, what made it work—that is, what made the ideas of Yakovlev/IMEMO so influential—was Yakovlev's personal tie to Gorbachev from early in the fall of 1983.

In one sense, however, Yakovlev does not fit the description of a policy entrepreneur. He did not have a ready-made solution looking for a problem but instead was open to a range of new ideas and approaches on foreign policy, as long as such approaches proceeded from the realities of the contemporary world. This latter point is one he made over and over again in the past half dozen years.[54]

Yakovlev's own lack of a clear vision for resolving the foreign policy problems facing the USSR reinforced the importance of the institutional context within which he was operating. As will be seen below, he did

[52] Those familiar with Yakovlev's publications during the years 1983–85 may well question this observation. Many of these writings were vitriolic, propagandistic, and extremely anti-American. Institute researchers assert, however, that Yakovlev's tone and approach within the institute were completely different. Moreover, a careful review of his writing during this period reveals several instances where he adopted a very unorthodox approach on matters of foreign (and domestic) policy. See, e.g., Yakovlev, "Dinamizm i konservatizm—ikh adepty" (Dynamism and conservatism—their adherents), in Yakovlev, *Realizm—zemlya perestroyki: Izbrannye vystupleniya i stat'i* (Realism—land of perestroika: Selected appearances and articles) (Moscow: Politizdat, 1990). This essay, first published in 1990, was in fact written by Yakovlev at the time he assumed the leadership of IMEMO in 1983. For further evidence of his unorthodox views during these years, see Yakovlev, "Demokratiya, toropyas', ne proizvodit nravstvennoy selektsiy," *Literaturnaya gazeta*, December 25, 1991, p. 3. Yakovlev reveals in that article that as far back as late 1985 he had proposed splitting the CPSU into two parties, thus fostering the development of multiparty politics in the Soviet Union.

[53] On this last point, also see "Vystupleniye M.S. Gorbacheva v Britanskom parlamente," *Pravda*, December 19, 1984, pp. 4–5; and Georgiy Arbatov, "Memuary. Arkhivy. Svidetel'stva: Iz nedavnego proshlogo," *Znamya*, no. 10 (October 1990), 221.

[54] See, e.g., Aleksandr Yakovlev, "Obshchestvennye nauki na novom etape," *Pravda*, November 28, 1987, p. 3. The one exception to this pragmatic approach is Yakovlev's image of American capitalism. See fn. 69.

indeed mobilize the institute and make it an influential player in the advent of the new thinking, but IMEMO was most "mobilizable" and influential only on those issues that best fit with its own long-standing ideology and beliefs about international relations.

Structure of the International System

Beginning in late 1983 IMEMO dramatically increased its earlier advocacy in favor of revising the official Soviet dogma concerning the structure of the international system. Two issues in particular received significant attention: the correlation between class and nonclass values in the world arena and the specific nature of the international system. On both issues, IMEMO engaged in extraordinary advocacy throughout the years 1983–85. In many instances, this advocacy came in the work of senior institute scholars writing in the lead article of a given issue of *Memo*.

The very clear message that emerged from institute advocacy on the relationship of class to nonclass (*obshchechelovecheskiy*) values was that the former should be subordinated to the latter.[55] Although this distinction might seem to have little practical significance for Soviet foreign policy, in fact, this was not the case. As of 1986 Soviet scholars and, eventually, Gorbachev and other leaders would use the notion of the primacy of nonclass values to delegitimize one key class-based element of the foreign policy strategy inherited from the Brezhnev leadership—support for national-liberation movements—while simultaneously legitimizing the importance of such nonclass notions as "global problems" and "interdependence."

The boldness of the institute's advocacy here can only be appreciated when one recalls the extremely poor state of Soviet-American relations in late 1983 and early 1984. These ties were virtually frozen by the time of Andropov's death in February 1984.

On the second issue, of the specific nature of the international system, the institute was almost equally outspoken throughout the years 1983–85.[56] The two buzzwords for institute researchers were "interdependence" and the notion of a single "world [*vsemirnyy*] economy" that operated according to economic laws common to *both* socialism and capi-

[55] See, e.g., V. Lukov and Dmitriy Tomashevskiy, "Radi zhizni na zemle (Uroki velikoy pobedy i mirovaya politika nashikh dney)," *Memo* 2 (February 1983), 3–13; idem, "Interesy chelovechestva i mirovaya politika," *Memo* 4 (April 1985), 17–32; and Oleg Bykov, "Leninskaya politika mira i ee voploshcheniye v deyatel'nosti KPSS," *Memo* 3 (March 1984), 23–29.

[56] See, e.g., "Vsesoyuznaya nauchnaya konferentsiya: Delo Marksa zhivet i pobezhdayet," *Memo* 7 (July 1983), 72–95; and Yuriy Shishkov, "Tribuna ekonomista i mezhdunarodnika: K voprosu o edinstve sovremennogo vsemirnogo khozyaystva," *Memo* 8 (August 1984), 72–83.

talism.[57] The point here is not that such words (and the nonclass framework of analysis they implied) were new to the Soviet scene. Scholars at IMEMO (and elsewhere) had been promoting them for years. The difference now was that the language was much more forceful ("objective realities" and the like). In addition, much of this analysis came at a time when East-West relations were so bad that the political climate within the USSR did not provide an objective basis (to borrow some Sovietspeak) for thinking in such nonclass terms.

During these years (1983–85) there is a clear contrast in the institute's advocacy of a complex, nonclass, and empirical vision of the international system, on the one hand, and of a revised view of the nature of security, on the other. In the former case the advocacy, often by leading IMEMO scholars, was very pronounced and many times appeared in the lead article of a given issue of *Memo*. On the nature of security, the advocacy was *much* less pronounced and there was less of it. Yakovlev, it would seem, had only been fully able to mobilize the institute behind a certain subset of foreign policy issues.

Thus, to arrive at a full understanding of the institute's behavior one must look not only at Yakovlev's important "entrepreneurial" role and the "window" available to him but also at the institutional context within which he was operating. Simply put, theoretical and empirical analyses on the nature of the international system were bread-and-butter issues for IMEMO. Those were its areas of expertise, and as far back as the late 1960s the promotion of a complex vision of the world arena had been a central element of its own ideology of international relations. It was natural that the institute would most vigorously promote those issues that protected and extended this core sense of mission.

For all this advocacy and bold analysis by academic researchers, one must still ask whether it mattered. It turns out that, in this case, it really did. From October 1985 Gorbachev began to describe the international system in language virtually identical to that employed by any number of these institute scholars, often indeed repeating parts of their analyses verbatim. By October 1986 concepts such as interdependence, global problems, and nonclass values were an integral part of the new general secretary's vocabulary. Yakovlev, the entrepreneur with an open policy window, had mobilized the institutional resource at his disposal (IMEMO), along with its ideology of international affairs, to influence the evolving worldview of a Gorbachev to whom he had direct access.

These concepts, and the worldview they implied, were utilized by

[57] Valkenier (fn. 3), chap. 2, provides a good overview of Soviet specialist writing during the 1970s on these concepts.

Gorbachev and his political allies to promote several major policy changes in 1985–86. These changes included a new, more favorable attitude toward arms control (premised on the need for "mutual" security) and a dramatically revised international-economic/foreign-economic policy (premised on the need for greater Soviet integration into an interdependent world economy).

Thus, by late 1986 the largely deductive, Marxist-Leninist view of the international system that for so long had been a staple of Soviet leadership statements had been replaced by an empirical, nonclass vision—one based on an ideology of world politics championed by IMEMO for nearly twenty years.[58] New ideas and specialist expertise—with a mighty assist from a very able entrepreneur and an open window—had triumphed over the kind of Leninist dogma upheld by *the* most powerful political institution: the Soviet Communist Party.

Image of the Adversary

As of late 1986, however, Leninist dogma still prevailed in one key area: leadership views of capitalism. Gorbachev and other leaders continued to speak of capitalism in much the same way as the leadership had in the bad old days of *zastoy* (stagnation) under Brezhnev. Gorbachev, in particular, seemed curiously dogmatic on this subject. Through October 1987 he continued to talk of imperialism's inherently aggressive nature and the growth of militarism in capitalist societies.

Beginning in the fall of 1987, however, Gorbachev completely changed his tune. At a major party gathering, he turned the Leninist theory of imperialism on its head by suggesting that, yes, contemporary capitalism *could* free itself of militarism and its neocolonial tendency to exploit the developing world.[59]

These were truly revolutionary words in the Soviet context. But why the dramatic shift in the general secretary's oratory? Several likely explanations come quickly to mind. One is that the new, dramatically more moderate image of capitalism (and, by implication, of America) was needed to legitimate the more cooperative approach to ensuring Soviet national security that had been announced at the Twenty-seventh CPSU Congress in February 1986. It would be difficult to justify a more cooperative approach if the chief adversary (the United States) were *inherently* prone to aggression and reliance on military force. Related to this line of

[58] The Institute of the U.S.A. and Canada (ISKAN), the other main international affairs think tank, had virtually nothing to say on the issues IMEMO was most aggressively promoting during these years.

[59] Mikhail Gorbachev, "Oktyabr' i perestroyka: Revolyutsiya prodolzhayetsya," *Kommunist* 17 (November 1987), 31–36.

reasoning is the argument that Gorbachev needed the new image of capitalism to undercut the domestic opposition to the new thinking that was already beginning to appear by mid-1987.

A third quite logical reason for the new image was that Gorbachev who by 1987 had finally begun to lose his former naïveté concerning the state of the Soviet economy, was looking for additional ways to pare the Soviet defense burden. A benign image of the capitalist adversary would certainly make it easier to implement such reductions.

Any or all of these explanations may have played a part in the introduction of the new image of the capitalist adversary, but all suffer from the same drawback. They are a bit too logical and rational, particularly in light of the increasingly tumultuous sociopolitical atmosphere in the USSR. By late 1987 this kind of atmosphere—with ideas, policies, and attacks coming from all over the political spectrum—surrounded the evolution of Soviet foreign policy as well.[60]

It was a setting ripe for policy entrepreneurs. It turns out that one of these entrepreneurs was the new head of IMEMO, Yevgeniy Primakov.[61] Primakov, exploiting an open policy window and his close personal ties to Gorbachev's circle of advisers, revitalized and mobilized IMEMO (in ways even more far-reaching than those of Yakovlev) and swayed the general secretary's thinking on a fundamentally important issue: the image of the USSR's capitalist adversaries. In contrast to Yakovlev, Primakov was no outsider to the institute. He had spent seven years in the mid-1970s as one of its deputy directors.[62] Like Yakovlev, however, Primakov had solid intellectual and academic credentials, having been elected a full member of the Academy of Sciences in 1979. His scholarly work—mainly on the Middle East and the developing world—was well respected and had often stretched the limits of official Soviet dogma.

Perhaps because of his prior association with IMEMO, Primakov's effect within the institute was even greater than Yakovlev's. Senior institute scholars praise him for the "democratic" atmosphere he established and for bringing some fresh air into IMEMO. Moreover, in a powerful symbolic move, Primakov appointed German Diligenskiy editor in chief of

[60] See Robert Legvold, "The Revolution in Soviet Foreign Policy," *Foreign Affairs* 68 (America and the World 1988–89), 82–98.

[61] Primakov had been appointed head of the institute in December 1985, succeeding Yakovlev, who moved on to a much more important position in the Central Committee apparatus. This "promotion" may seem odd given Yakovlev's apparent success at IMEMO. Gorbachev, however, clearly wanted his close ally in a stronger bureaucratic position so that Yakovlev could help him overcome opposition to his policies in the Central Committee (which at that point was still a key actor in the political process).

[62] From 1977 to 1985 Primakov served as director of the Academy's Institute of Oriental Studies.

the institute's journal, *Memo*. Within IMEMO, Diligenskiy had a reputation as a radical, respected for his research creativity and fierce independent streak. Of even greater symbolic importance was that Diligenskiy had lost his position at IMEMO during the 1982 CPSU/KGB "investigation." Thus, an outcast, one labeled a "dissident" in the early 1980s, was now overseeing IMEMO's most important publication.

As for Primakov the policy entrepreneur, one particular idea he was peddling in 1985–87 was the need for a dramatic revision of the Soviet image of capitalism—both its internal (economic) and external (foreign policy) components. In mid-1986 Primakov began to suggest publicly, at first cautiously but then with increasing boldness, that capitalism could endure and sustain significant economic growth, indeed, could even outgrow its militarism and aggressive foreign policy.[63] The eventual success of Primakov's entrepreneurship in using IMEMO's knowledge and expertise to modify the official Soviet image of capitalism hinged, however, on his personal ties with Gorbachev's circle of advisers.[64]

Several factors account for the policy window open to Primakov. Most important was the presence of political leaders willing to listen to new ideas (as had been the case for Yakovlev several years earlier). In addition, the CPSU's two most recent authoritative statements on the nature of capitalism—Gorbachev's Political Report (which was so innovative on a host of other foreign policy issues) to the Twenty-seventh Party Congress in February 1986 and the new edition of the Third Party Program adopted at that same congress—were *completely* at odds with a variety of signals coming from the USSR's external environment. These included, inter alia, the capitalist West's continuing success at adapting to and participating in the scientific-technical revolution and the apparent success of the "Reagan revolution" in America (in particular, its emphasis on deregulation) at stimulating sustained economic growth—contrary to Soviet expectations. These facts, however, were clearly appreciated by Primakov.[65]

As it turned out, IMEMO needed little prodding by Primakov to reconsider the image of capitalism. Revisionist views on the subject had been an important part of its ideology of international affairs since at least the

[63] See, e.g., Yevgeniy Primakov, "Leninskiy analiz imperializma i sovremennost'," *Kommunist* 9 (June 1986), 102–13; and idem, "Kapitalizm vo vzaimosvyazannom mire," *Kommunist* 13 (September 1987), 101–10.

[64] These ties first became evident in November 1985, when Primakov accompanied Gorbachev to the Geneva summit meeting. Two deputy directors of IMEMO confirm in separate interviews that by late 1986 Primakov had become a key Gorbachev adviser.

[65] See Yevgeniy Primakov, "XXVII s'ezd KPSS i issledovaniye problem mirovoy ekonomiki i mezhdunarodnykh otnosheniy," *Memo* 5 (May 1986), 6–8.

mid-1960s.[66] In mid-1986, however, institute advocacy on this questioı took a qualitative jump when it began publication of a series of essays oı the Soviet "theory" of state-monopoly capitalism and organized a con ference to examine the Soviet framework for explaining capitalist for eign policy behavior.[67] The bottom line of this advocacy was as simple a it was revolutionary in the Soviet context: capitalism had an interna vitality that would allow it to maintain more than adequate levels o economic growth for the foreseeable future, and its external behavio posed no threat to the USSR; that is, it was *not* inherently militaristic.[68]

There is a striking correlation between this IMEMO-Primakov analysi and the commentary about the nature of capitalism Gorbachev woul first use in November 1987. Primakov had mobilized the institute t consider a topic (the political economy of contemporary capitalism) quit consistent with its own sense of mission and ideology and then presente these arguments—via his personal access channel—to a skeptical Gor bachev.[69] This combination of institutional expertise and personal acces prevented conservative organizations such as the Soviet military fron dominating the debate.

Thus, not only on official views about the structure of the interna tional system but also on an even more fundamental question—the im age of the adversary—the new ideas and expertise of specialists had tri umphed over Leninist dogma and politically powerful conservativ institutional actors. In neither case, however, was this "victory" in an sense inevitable. It was the result of the efforts of skillful policy entrepre neurs who had a "mobilizable" institutional resource at their disposal, a well as access to reformist political leaders.

Did this revised image of capitalism matter? Aside from consignin another piece of Leninist dogma to the "dustbin of history," did it hav any more practical effect? In one very important way, it did. In earl 1988 reformist commentators began arguing on the basis of the new, les aggressive image of capitalism that the USSR did not face a serious ex

[66] On this, see also Primakov (fn. 48), 106–7.

[67] For an excellent overview of the essays on state-monopoly capitalism (and their radica content), see Brian Taylor, "Perestroika and Soviet Foreign Policy Research: Rethinking th Theory of State-Monopoly Capitalism," *Millennium* 19 (Spring 1990). On the conference, se "Mezhdunarodnaya konferentsiya: Sovremennye osobennosti obshchego krizisa kapital izma," *Memo* 6–8 (June–July–August 1987).

[68] ISKAN contributed virtually nothing to the capitalism/militarism debate in 1986–87.

[69] Aleksandr Yakovlev was an obvious source for Gorbachev's skepticism about capital ism. Yakovlev, who at this point was already one of Gorbachev's most trusted advisers, ha consistently promoted an image of capitalism that was virtually identical to the one articu lated by Gorbachev through early 1987. Even *after* Gorbachev's commentary on capitalism changed, Yakovlev continued to speak on the topic in a distinctly more pessimistic manner.

ternal threat and thus could countenance a radical restructuring of its armed forces.[70]

SECURITY ISSUES

On questions of international security (the balance of conventional forces, evaluations of strategic stability, nuclear doctrine and strategy, and so forth), a new relationship between specialist knowledge and the political process would, at least for IMEMO, be much more difficult to establish than in other issue-areas. This difficulty certainly did not arise from a lack of political leaders interested in civilian analyses of security. In mid-1986 Gorbachev and his allies in the leadership had explicitly and publicly stated for the first time that they indeed wanted studies of this type. Moreover, there were several security issues that could be defined as major problems for the USSR at this point (most prominently, the NATO Euro-missile deployments). In other words, a policy window was open in this issue-area as well.

Instead, IMEMO's difficulty in establishing a new relationship to the process arose from several other variables at the political and, especially, institutional levels. On the former, it is clear that through 1986 the social scientists at IMEMO (under the leadership first of Yakovlev and then of Primakov) had been unable to establish access channels to important political leaders on security issues; this contrasted notably with their success in doing so in other issue-areas. The political leadership at this point was turning to another set of Soviet specialists for advice and information on security topics.[71]

Even if the necessary access had been in place, however, the researchers at IMEMO were poorly equipped to exploit it. As noted above, "applied" issues such as international security did not fall within the institute's sense of mission, and as a result occupied only a minor place in its ideology of international affairs. This being so, the recent literature on political institutions[72] would hold that any attempt to expand IMEMO's conceptual/research repertoire to include security matters could well be a difficult exercise.

An analysis of IMEMO's behavior in the 1980s indicates this was indeed the case. The evidence is twofold. First, one needs to recall the institute's

[70] See, especially, Sergey Karaganov et al., "Vyzovy bezopasnosti—starye i novye," *Kommunist* 1 (January 1988).

[71] These were the *natural* scientists who worked for the Academy of Sciences technical divisions and, in particular, the Committee of Soviet Scientists in Defense of Peace, against the Nuclear Threat.

[72] March and Olsen (fn. 31, 1989), 16–19 and chap. 2; and Goldstein (fn. 26, 1988), 181–86 and passim.

actions during the years 1983–85, when Yakovlev was its head. This was a period of mobilization that saw IMEMO aggressively promote several topics. Equally important, however, is what it did not promote. Specific questions of international security (for example, military strategy or arms-control verification) received *very* little attention.

This behavior is especially puzzling in light of two additional facts. For one, the announcement of the U.S. SDI program and the commencement of the Euro-missile deployments, both in 1983, should have created one or more exploitable policy windows. In addition, Yakovlev, the entrepreneur with no fixed personal agenda, had by late 1983 taken the specific step of creating a new disarmament unit within the institute to mobilize IMEMO on security issues as well. The head of this new section, Aleksey Arbatov, was a very capable (in the Soviet context) analyst of strategic issues, but he was hindered by a lack of institutional interest, resources, and expertise devoted to security issues.[73]

Second and more important is the record of the institute's behavior in the years 1985–88. Under Primakov's leadership at the time, IMEMO was influential in both promoting *and* revising Gorbachev's initial agenda for foreign policy reform. Political leaders were now openly calling for academic analyses on security topics, and by 1987 there were public debates on at least two such issues: the overall size of the Soviet force posture (the debate over "reasonable sufficiency") and whether the Soviet armed forces should be restructured along more defensive principles ("defensive defense"). To aid IMEMO's participation in this debate, Primakov, in 1986, created a full-fledged Department of Disarmament and International Security within the institute. The creation of this new unit, which was headed by Aleksey Arbatov, placed security studies on a par with other department-size research interests within IMEMO.

Despite these various changes and despite Arbatov's skills, IMEMO was a relatively uninfluential player in these security debates. Arbatov was in fact a "policy entrepreneur"—a person who like Yakovlev and Primakov had the necessary skills and connections to exploit open policy windows. Nevertheless, he failed to convert this entrepreneurship into influence, even though he had the clear backing of his boss, Primakov. A key element in this failure was that Arbatov, in bringing his expertise in strategic affairs to IMEMO, was attempting to modify fundamentally the institute's basic mission.

[73] This observation is based on an analysis of numerous IMEMO publications, as well as on interviews with three deputy directors of the institute. The institutional constraints facing Arbatov included a weakly developed scientific/technical culture within IMEMO and the institute's long-standing unwillingness to seek contacts with groups within and outside the USSR that studied issues of international security.

This explains why Arbatov was unable to find a ready cadre of strategic analysts within IMEMO. Moreover, his entrepreneurship was openly and actively resisted by various institute scholars.[74] The basic charge these researchers leveled against Arbatov was that he was leading IMEMO away from what it did best. That this dispute received wide publicity in the institute's journal suggests the strong feelings it generated within IMEMO. In sum, Arbatov was in no sense a free agent but rather was operating within an institutional context and history, one that hindered his ability to bring new *strategic-affairs* ideas to IMEMO and the broader political process.[75]

Is this focus on institutional dynamics within IMEMO really necessary for explaining its inability to be a major actor in the area of security policy? Perhaps what really accounts for this behavior is that IMEMO, like all other civilian institutions, had suffered from the Soviet military's monopoly of national security expertise and information during the Brezhnev era.

While this factor has certainly played a role, by itself it is insufficient to account for IMEMO's behavior. If the military's monopoly on security expertise was the main factor at work here, one would expect other academy units—especially the other main international affairs think tank, the U.S.A. and Canada Institute (ISKAN)—to be similarly affected. This, however, was not the case. Throughout the latter half of the 1980s, ISKAN was consistently a more knowledgeable and influential participant in the Soviet security debates than IMEMO. Like IMEMO, the U.S.A. and Canada Institute had a very skillful policy entrepreneur on security matters. This individual, Andrey Kokoshin, however, was given a powerful assist by a much more facilitating institutional environment than Arbatov had at IMEMO.[76]

The comparison between Arbatov/IMEMO and Kokoshin/ISKAN and also the earlier review of Yakovlev-Primakov-IMEMO's starkly different behavior and influence in other issue-areas suggest that while individuals (entrepreneurs) and their ideas do indeed play critical roles in making

[74] See, especially, the debate between Arbatov and Elgiz Pozdnyakov, a senior scholar in IMEMO's Department of International Relations, over the proper way to study issues of international security. Arbatov, "Deystvitel'no, yest' li povod dlya spora?" *Memo* 10 (October 1988), 130–34; and Elgiz Pozdnyakov, "S kem, kak i po kakomu povodu sporit A. Arbatov?" *Memo* 10 (October 1988), 125–30.

[75] Arbatov had made quite clear on more than one occasion his desire to bring such expertise to IMEMO. See, e.g., Arbatov, "Glubokoye sokrashcheniye strategicheskikh vooruzheniy," *Memo* 4 (April 1988), 10–22.

[76] For details on the role of ISKAN and Kokoshin in these security debates, see Checkel (fn. 0), chaps. 8–10. In the spring of 1992 Kokoshin was named a deputy minister of defense of the Russian Federation.

revolutions, they often do so in institutional settings that can constrai or magnify their ability "to effect the flow of history."[77]

Alternative Explanations

The plausibility of the above account is strengthened by comparing i with several alternative theoretical frameworks for explaining the emergence of new ideas in Soviet foreign policy under Gorbachev. One alternative explanation—at the individual level of analysis—is the "Gorbi the Great" interpretation. This argues that Gorbachev, a representativ of a new and more politically sophisticated leadership generation, wa himself the carrier of the new ideas that later became the central conceptual elements of the new thinking in foreign policy. Given the clear correlation between Gorbachev's accession to power and the promulgatio of the new thinking, there is an obvious intuitive appeal to such an explanation.

There is very little evidence to support it, however. Prior to late 1985 while Gorbachev had clearly hinted in both public and private that h was open to new ideas on foreign policy, there is no indication that h had developed a comprehensive conceptual or policy framework for foreign policy reform.[78] In fact, the evidence is quite clear that in these earl years (1984–85) of Gorbachev's ascent to power his thoughts were concentrated on a different domain of public policy: *domestic* socioeconomi reform.[79]

A second set of explanations for the advent of new ideas and knowledge in Soviet foreign policy focuses on psychological learning processe within individuals. By itself, however, a learning explanation is inadequate. First, there are the definitional problems inherent in the notion o learning and the question of who or what must learn for Soviet policy t change.[80] Second, even if one accepts that a process of learning—mos importantly, at the level of Gorbachev himself—was the mechanism b which new ideas came to alter Soviet policies, learning explanation none theless overlook an important question. In particular, since proponent of this approach are most interested in ascertaining whether learning ha

[77] March and Olsen (fn. 31, 1984), 739.

[78] See, e.g., Eduard Shevardnadze, *Moy vybor: v zashchitu demokratii i svobody* (My choice In defense of democracy and freedom) (Moscow: Novosti, 1991), 62–63. The former foreig minister argues that during the early 1980s Gorbachev knew the kind of foreign policy h did not want—the one followed by the Brezhnev leadership—but seemed much less clea on what should replace it.

[79] Compare, for example, the discussion of domestic and foreign policy in Gorbachev *Zhivoye tvorchestvo naroda* (Vital creativity of the people) (Moscow: Politizdat, 1984), a speecl of December 1984 before a conference on ideology.

[80] Tetlock (fn. 4) is an excellent overview of the definitional problems.

occurred, they often fail to ask what accounts for particular instances of learning.[81] If Gorbachev did indeed modify his foreign policy beliefs as a result of new knowledge,[82] one must still ask who or what was the source of such knowledge. As I have argued throughout this essay, policy entrepreneurs with the requisite institutional resources and personal access were a key source of this new knowledge.

It is indeed possible that a learning model is applicable at the level of these entrepreneurs.[83] Nonetheless, to explain how cognitive processes within particular individuals (the entrepreneurs) came to influence the views of leaders like Gorbachev, the learning approach must be supplemented with an exploration of the *political context* (influence relationships, institutional access) within which the beliefs and images of Soviet leaders evolved.[84]

A third plausible explanation for the advent of new ideas in Soviet policies under Gorbachev is that their appearance was part of a logical and largely inevitable process of adaptation to various international stimuli.[85] Taken by itself, however, this explanation is also inadequate. Most importantly, by dismissing the importance of domestic-level variables, such explanations ignore the *process* by which Soviet state interests are shaped. While the international environment may have helped induce a change in Soviet interests in the mid-1980s, a focus on external stimuli alone is completely inadequate for explaining the *content* of these new/redefined interests and the role of new ideas and knowledge in this process.[86]

Obviously, international factors play a role in shaping state interests. The challenge, however, is to understand *how* they matter—under what conditions. This is an issue that must be empirically explored and not simply assumed away.[87]

[81] Legvold's (fn. 10) important account of Soviet learning in the 1980s exhibits this analytic bias.

[82] That is, through "cognitive content" learning. For a discussion of this concept, see Tetlock (fn. 4), 27–31.

[83] Thanks to an anonymous reviewer for alerting me to this issue.

[84] On the importance of integrating political factors into psychological theories of decision making, see also Sarah Mendelson, "Explaining Change in Soviet Foreign Policy: Learning, Motivated Bias and Epistemic Communities" (Paper delivered at the annual convention of the American Political Science Association, Washington, D.C., 1991), 1–10. For an excellent overview and critique of learning theories as applied to the Soviet case, see Evangelista (fn. 22), 266–79, 323–28.

[85] Deudney and Ikenberry (fn. 7).

[86] For a recent treatment of this issue, see McKeown (fn. 15, 1991), 259–61, 276–78.

[87] Realist theories (which focus on a particular subset of international stimuli to explain state behavior) insist—wrongly I think—that a state's interests can be taken as a given. Even recent and quite sophisticated realist theories exhibit this analytic bias. See G. John Ikenberry, David Lake, and Michael Mastanduno, "Toward a Realist Theory of State Action," *Inter-*

Conclusions

I will address several questions related to the analysis and explanatory framework and then discuss the relevance of this research for several ongoing debates in the public policy and international relations literatures.

Analysis and Framework

To start with, there is an important methodological question to be addressed: the measurement of influence. This is an important issue in *any* study of foreign policy decision making and all the more so in the Soviet case.[88] Ultimately, my measurements of influence are indirect. I am not privy, for example, to the personal conversation a Yakovlev or Primakov had with Gorbachev or members of his personal staff. As a result, I have measured a correlation between concepts, intellectual frameworks, and policies advocated by IMEMO-Yakovlev-Primakov and changes in official Soviet views or behavior (as announced in leadership statements or important CPSU documents). However, by controlling for several likely alternative explanations and wherever possible supplementing my analysis with direct participant insights (through interviewing), I feel confident in moving from a correlational relationship to a causal one and therefore arguing that the influence patterns were real.

A second point about the framework is its relationship to that well-known concept in the study of foreign policy: the black box. The perceptive reader will recognize that while the black box has definitely been "shrunk," it is still present.[89] In particular, one must ask of the policy entrepreneurs I have identified: where did *their* unorthodox views come from? For Primakov, it is clear that his ideas on the nature of capitalism emerged from the Soviet milieu, if for no other reason than because the institution he took over in 1985 had been advancing such views for the better part of twenty years.[90]

While I have not discussed Aleksey Arbatov in detail here, it is worth noting that the source of his ideas is a more interesting case. Given that many of his security views were qualitatively new in the Soviet context when first elaborated in the mid-1980s and given that he has spent considerable time abroad (in both the U.S. and Western Europe), it is quite

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national Studies Quarterly 33 (December 1989). The authors attempt to develop a realist theory that incorporates both domestic and international variables.

88 Timothy Colton, "Perspectives on Civil-Military Relations in the Soviet Union," in Colton and Gustafson (fn. 1), 34–37.

89 Thanks to Dave Cameron of Yale University for alerting me to this issue.

90 See, especially, Primakov (fn. 48). Recall that Primakov had a prior association with IMEMO, as a deputy head of the institute for seven years beginning in 1970.

likely that individuals and institutions *external* to the USSR were the source of his innovative ideas.[91] This suggests the importance of transnational linkages, an issue addressed by the literature on epistemic communities.

A third point concerns the causal logic of the framework. By arguing that foreign policy change is the result of a complex interplay of stimuli from the external environment and domestic-level cognitive, institutional and political variables, I have highlighted what I believe to be the diverse sources of major change in state behavior. This argument, however, leaves important issues unresolved. What, for example, was the *independent* causal impact of new ideas? How important was the cognitive-institutional synergy in bringing about the revolutionary redefinition of Soviet state interests? Answers to these (as well as other questions) are needed to advance an ideas-based argument more confidently.

The preceding comments point to the need for more research. The revolutions in Eastern Europe and the dissolution of the USSR, however, present a golden opportunity—a theorist's dream—to control better for the independent effect of the different variables.[92] These events provide a large set of real-world cases where existing and recently created nation-states are undertaking major reorientations in their foreign policies—and doing so at a time when both the international and domestic-level variables identified here are in great flux.

Within the former USSR, for example, the breakup of Union structures has created a dramatically different external setting for many of the former republics. At the same time these new states are establishing their own foreign policy and national security institutions, and new leaderships are assuming power in several of them. Moreover, there is early evidence that in some cases the ideas of specialists are playing a key role in shaping the worldviews and foreign policy orientations of states formerly a part of the USSR.[93] In other words, new policy windows have opened and new entrepreneurs may be coming to the fore. Comparative

[91] Two books written by Arbatov in the early 1980s clearly demonstrate his knowledge of Western strategic concepts and thinking. See Arbatov, *Bezopasnost' v yadernyy vek* (Security in the nuclear age) (Moscow: Politizdat, 1980); and idem, *Voyenno-strategicheskiy paritet i politika SShA* (Military-strategic parity and the policy of the U.S.A.) (Moscow: Politizdat, 1984). On Arbatov, also see Tyrus Cobb, "National Security Perspectives of Soviet 'Think Tanks,'" *Problems of Communism* 30 (November–December 1981), 54–55, 57.

[92] In the comparative politics literature, David Laitin has made a similar point with respect to the revolutions in Eastern Europe. See Laitin, "The National Uprisings in the Soviet Union," *World Politics* 44 (October 1991), 141–42.

[93] There is interesting if preliminary evidence that this is the case in Ukraine. See Kathleen Mihalisko, "Defense and Security Planning in Ukraine," *Report on the USSR* 3 (December 6, 1991), 15–19.

research on these cases will help to rectify the problem of overdetermination in my analysis and further sharpen the ideas-based argument.

DEBATES IN THE LITERATURE

The analysis presented here can make a contribution to three current debates in the public policy and international relations literatures. First, in the policy studies field there is a growing recognition of a need to move beyond the "stages" heuristic of the policy process developed and refined in the 1970s and 1980s.[94] As Paul Sabatier has correctly noted, this heuristic divides the process into stages but contains no clear assumptions about what forces move it from one stage to another.[95]

The present study, with its emphasis on the role of chance in the policy process, has much in common with Kingdon's alternative to the stages heuristic: the "policy streams" approach.[96] It also provides fairly strong empirical support for Kingdon's work. My main amendment to it, at least in the case of the former USSR, would be greater attention to the *institutional* context in which policy entrepreneurs—the purveyors of new ideas—operated.

Second, there is an ongoing debate in the international relations literature over the influence of domestic context on state behavior, with many arguing that this is still a neglected area of research in the field of international politics.[97] This study, I hope, has shown the tremendous importance (and complexity) of the changing domestic context for understanding the revolutionary changes in Soviet international behavior under Gorbachev. We need more research in the spirit of the integrative explanatory framework advanced here (and elsewhere).[98]

Third and again within the international relations field, there is an emerging debate on how epistemic communities can influence state behavior.[99] This is an important research program that shares many insights with the analysis presented here, for example, a commitment to exploring the dynamic interaction between domestic and international

[94] See the recent symposium "Toward Better Theories of the Policy Process," *PS: Political Science and Politics* 24 (June 1991), 144–56.

[95] Sabatier, "Political Science and Public Policy," *PS: Political Science and Politics* 24 (June 1991), 145.

[96] Kingdon (fn. 24).

[97] Risse-Kappen (fn. 10), 187–88; and idem, "Public Opinion, Domestic Structure, and Foreign Policy in Liberal Democracies," *World Politics* 43 (July 1991). See also Haggard (fn. 16), 432–33.

[98] As noted earlier, Evangelista (fn. 22) argues in favor of a similar approach.

[99] See, especially, Haas (fn. 6). See also idem, "Do Regimes Matter? Epistemic Communities and Mediterranean Pollution Control," *International Organization* 43 (Summer 1989); Ernst Haas, *When Knowledge Is Power: Three Models of Change in International Organizations* (Berkeley: University of California Press, 1990), chaps. 1–2; and Mendelson (fn. 84).

sources of state behavior and a recognition that under the proper conditions new knowledge can play a decisive role in shaping state behavior.[100]

My framework differs from the epistemic framework in an important way, however: the level of analysis. The epistemic approach emphasizes the role of transnational networks of knowledge-based experts in bringing new ideas to the political process.[101] I have stressed the importance of ideas imbedded in particular domestic institutions and the role of policy entrepreneurs as essential to the dynamic whereby new knowledge enters the process. Hence, my primary levels are individual and institutional, not transnational.

This difference, however, is more apparent than real and can best be reconciled by a synthesis of the two approaches. Take, for example, the case of Aleksey Arbatov. As I suggested above, transnational contacts almost certainly played a role in the evolution of his views on security.[102] That is, Arbatov may very well have been a member of a transnational epistemic arms control community during the 1970s and early 1980s.

Yet, as this study showed, the faced significant obstacles in diffusing this knowledge within the former Soviet Union. Indeed, it was not until 1986 that he even gained an institutional platform (his own department at IMEMO) from which to promote such knowledge. Even after gaining this platform, however, his ability to diffuse new arms control concepts was hindered by institutional impediments, namely, the presence of a dominant ideology within IMEMO.

The epistemic approach does in fact recognize the importance of institutional dynamics.[103] Indeed, the third element in the causal logic of epistemic policy coordination is "institutionalization," that is, the extent to which an epistemic community consolidates bureaucratic power within domestic or international institutions. The community's influence over domestic and/or international policy-making will correlate with the degree of this bureaucratic consolidation.[104]

Despite this appreciation of institutional factors, some proponents of the epistemic approach nevertheless seem to underrate them. Emanuel

[100] These are central themes of virtually all the essays in the recent special issue of *International Organization* dedicated to epistemic policy coordination. See Haas (fn. 6).

[101] For an excellent overview of the causal logic behind the epistemic-communities approach, see Peter Haas, "Introduction: Epistemic Communities and International Policy Coordination," in Haas (fn. 6).

[102] Matthew Evangelista and Stephan Kux have suggested, in a more general sense, the importance of such contacts for the evolution of Soviet views on security. See Risse-Kappen (fn. 10), 183.

[103] Haas (fn. 101), 3–4, 33–34.

[104] Ibid., 4. The first two elements in the causal logic are *uncertainties* faced by political decision makers and *interpretation* of these uncertainties by experts. That is, uncertainties give rise to demands for information and advice that is provided by the epistemic community.

Adler, for example, has recently argued that during the 1960s an episte mic community that began in the United States and then spread to th USSR played an important role in shaping Soviet policy on offensive an defensive strategic nuclear arms control (the SALT I and ABM treaties).[1(There are, however, several problems with this argument. For one, th Soviet leadership's overall record on arms control in the decade afte these initial accords leads one to wonder whether there was a proces whereby the epistemic community's influence in Soviet politics had in fact been "institutionalized." Moreover, IMEMO—one of the key institu tions that could have served as a resource for members of the Soviet arms control epistemic community—was quite resistant to developing arms control expertise during this period, in part because such research fell outside its dominant institutional mind-set and ideology.[106]

In sum, while the epistemic approach and the one outlined in this article are largely complementary, the former will benefit by a more systematic consideration of institutional factors. They can play a key role in either promoting or hindering the diffusion of new ideas and knowledge, regardless of whether the deep roots of such knowledge lie in transnational networks or in domestic institutions.

[105] Adler, "The Emergence of Cooperation: National Epistemic Communities and the International Evolution of the Idea of Nuclear Arms Control," in Haas (fn. 6), 101–45.

[106] See Checkel (fn. 30), chaps. 5–6.

'ERGENT LEARNING AND THE 'AILED POLITICS OF SOVIET ECONOMIC REFORM

By JAMES CLAY MOLTZ*

INTRODUCTION

:ISION-MAKING theory and organizational theory both ar- : that state leaders increase their search for new information in s of crisis.[1] As Ikenberry and Kupchan explain: "Crisis creates ›nment in which elites seek alternatives to existing norms that ı discredited by events."[2] This is true regardless of the nature sis, whether military, sociopolitical, or economic. But what this does not tell us is where actors look for new information, what ape the *lessons* they draw from it, or whether consensus or con- be the ultimate result. This article examines the views of top ıders regarding economic reform, from the rise of Gorbachev ɔ his political demise in December 1991. It traces in particular .s of organizational factors on Soviet borrowing from foreign models.

lings argue that the so-called learning theory frequently used to he Gorbachev reforms is correct in showing that cognitive *'d* occur in the common acceptance of a number of new princi-

thor wishes to thank particularly Philıp Roeder, as well as Thomas Graham and , for their useful comments and suggestions. The Unıversity of Californıa's In- lobal Conflict and Cooperation (ıGcc) provided support for this study's research

, Michael Brecher, *Decisions in Crisis: Israel, 1967 and 1973* (Berkeley: University a Press, 1980); and Glenn D. Paige, *The Korean Decision* (New York: Free Press,

ı Ikenberry and Charles A. Kupchan, "Socialization and Hegemonic Power," *l Organization* 44 (Summer 1990), 284. This phenomenon is also described by :vitch, who writes, "The moments of greatest freedom are crisis points." See *Politics in Hard Times: Comparative Responses to International Economic Crises* '.: Cornell University Press, 1986), 240. For a Soviet perspective on the effects of ıev-era crisis in expanding economic options, see K. Kagalovskiy, "Ekonomi- is: Gde iskat' vykhod?" *Kommunist* 4 (March 1990). On crisis policy-making and ›f domestic and international institutions, see Stephan Haggard and Robert R. ds., *The Politics of Adjustment: International Constraints, Distributive Politics and* inceton: Princeton University Press, 1992).

ples in foreign policy, politics, and political economy.[3] But the argument also challenges existing studies by showing that the particular economic programs leaders adopted and when they adopted them were determined more by their underlying *organizational* interests than any shared understandings about new cause-and-effect relationships regarding economic mechanisms. Thus, in contrast to the cooperative outcomes seen in foreign policy and in certain areas of political perestroika (restructuring), the result of this divergent economic learning was the ultimate *failure* of efforts at economic reform and the political undoing of Gorbachev himself, as other leaders successfully blamed him for the government's inaction in the face of the worsening crisis.

Up to 1988 explanations based on collective learning[4] in the economy are generally convincing due to the centralized nature of the Communist Party, in-group norms of consensus decision making, and collective responsibility for decision outcomes within the Politburo. After 1988, however, changes in electoral laws brought about by the Nineteenth Communist Party Conference shifted the flow of power increasingly in a bottom-up direction. As power swung from the Communist Party to new state bodies—including the Congress of People's Deputies and a reformed Supreme Soviet—previously collegial leaders of various organizations and bureaucracies were impelled not just to differentiate their views from one other but also to *defend* their constituencies. In these new conditions, collective learning became far less likely than it had been in the consensual environment of the old Politburo. Thus, the argument presented here seeks a more complete analysis of late Soviet economic reform, one that—unlike collective learning—can help explain the conflictual scenarios that brought about the August 1991 coup, the bitter postcoup battle for political power between Gorbachev and Russian president Boris Yeltsin, and, finally, the dissolution of the Soviet Union and Gorbachev's unceremonious ouster from power. This is accomplished by combining the notion of political self-interest with a limited learning model and by focusing on the instrumental uses of this new information, rather than on Gorbachev's ultimately unsuccessful efforts at consensus building.

This study begins with the literature on international learning and examines the conditions under which the unique dynamics of such cognitive changes are most likely to occur (as well as those where learning

[3] For an example of this literature, see Robert Legvold, "Soviet Learning in the 1980s," in George W. Breslauer and Philip E. Tetlock, eds., *Learning in U.S. and Soviet Foreign Policy* (Boulder, Colo.: Westview Press, 1991).

[4] See, e.g., George W. Breslauer, "Soviet Economic Reforms since Stalin: Ideology, Politics, and Learning," *Soviet Economy* 6 (July–September 1990).

will be difficult to achieve). It then focuses on recent applications of learning theory to the Soviet economic reform debate and suggests an approach that emphasizes *divergent* learning (or "the adoption of *different* new policy understandings by members of a group") as a response to simultaneous economic and political crises. To explain the use of foreign economic information by Soviet leaders in these conditions, the article introduces a more specific subset of divergent learning that I call "borrowing."

The Roots of Learning Theory

Contemporary learning theory has its roots in the psychological, organizational, and decision-making literatures of the late 1950s through the early 1970s. Such authors as James March, Herbert Simon, and Karl Deutsch articulated the concepts of *simple* learning (changes in means), *complex* learning (changes in underlying goals), and *pathological* learning (changes that impede future cognitive growth).[5] These authors examined information flows and decision-making structures within business, academia, and government organizations, where hierarchies and decision-making rules were relatively well established and where there were relatively stable decision environments (even if in certain cases dramatic changes were required of particular institutions). They focused mainly on how different decision-making procedures shaped information searching, decision outcomes, and future strategies. As Newell and Simon concluded: "Learning is a second-order effect. That is, it transforms a system capable of certain performances into a system capable of additional ones."[6]

In the late 1970s theorists of international relations began to examine learning concepts to explain changes in international relations that could not be accounted for by the dominant structural theories in the discipline. U.S.-Soviet arms control and the rise of a number of important multilateral economic regimes challenged widely held assumptions about the all-pervasiveness of conditions of anarchy in international relations. If the system had not changed, analysts asked, how could existing theories account for the presence of new, more cooperative international behavior?

From the beginning, the learning literature in international relations

[5] See Deutsch, *The Nerves of Government: Models of Political Communication and Control* (London: Free Press of Glencoe, 1963). He wrote, "Simple learning is goal-seeking feedback, as in a homing torpedo" (p. 92). "A more complex type of learning is the self-modifying or *goal-changing* feedback" (p. 92).

[6] Allen Newell and Herbert A. Simon, *Human Problem Solving* (Englewood Cliffs, N.J.: Prentice-Hall, 1972), 7.

has focused primarily on the transnational effects of shared knowledge, usually scientific and technical information. This work has involved cases from a variety of issue-areas: strategic arms control (Nye, Weber),[7] international organizations (E. Haas),[8] nuclear proliferation (Lavoy),[9] space cooperation (Moltz),[10] regional conflict (Breslauer),[11] and international environmental regulation (P. Haas).[12] Under particular circumstances, new "consensual knowledge" caused states to alter or abandon competitive policies they had once embraced in order to pursue more highly valued collective benefits. The learning literature has primarily sought to move beyond the limited predictions of static rational-choice models by highlighting areas where states seemed to be moving "forward" intellectually toward the common solution of international problems. These conditions highlight the possibility of developing *cumulative* knowledge and thereby extending the reaches of international relations beyond the limits of abstract, noncommunicative games.

Learning in Foreign versus Domestic Policy

One of the general findings of this literature is that political factors tend to shape the learning process in inverse proportion to the level of strategic or technological factors involved. That is, one would expect fewer political intrusions into the learning process when there are objective threats to state security or when technical considerations limit the set of possible solutions, especially in conditions of international interdependence. For this reason, the prerequisites for consensual learning may arise more often in foreign policy than in domestic policy (see Figure 1). The two most persuasive examples of U.S. and Soviet learning, accordingly, developed in arms control policy and in international environmental/technological controls. In both cases high threats relative to potential

[7] Joseph S. Nye, Jr., "Nuclear Learning and U.S.-Soviet Security Regimes," *International Organization* 41 (Summer 1987); Steve Weber, "Interactive Learning in U.S.-Soviet Arms Control," in Breslauer and Tetlock (fn. 3).

[8] Ernst B. Haas, *When Knowledge Is Power: Three Models of Change in International Organizations* (Berkeley: University of California Press, 1990).

[9] Peter R. Lavoy, "Learning and the Evolution of Cooperation in U.S. and Soviet Non-Proliferation Activities," in Breslauer and Tetlock (fn. 3).

[10] James Clay Moltz, "Managing International Rivalry on High Technology Frontiers: U.S.-Soviet Competition and Cooperation in Space" (Ph.D. diss., University of California, Berkeley, 1989).

[11] George W. Breslauer, "Soviet Policy toward the Arab-Israeli Conflict," in Breslauer and Tetlock (fn. 3).

[12] Peter M. Haas, "Saving the Mediterranean," *International Organization* 43 (Summer 1989).

Policy Area	High Security Threats	Complex Technical Factors	Limited Popular Input	Reliable Communi-cations	Stable political institutions
	Presence of Factors Promoting Collective Learning				
Foreign Policy	+	+	+	–	+/–
Domestic Policy	–	–	–	+	+

FIGURE 1
LINKS BETWEEN POLICY AREA AND IMPETUS FOR COLLECTIVE LEARNING

gains limited the attractiveness of existing, unilateral policies and raised the incentives for cooperation, even with an erstwhile adversary.

By contrast, such consensus-building pressures are frequently absent from domestic policy-making, particularly in times of economic crisis. Solutions under such circumstances are often highly debatable because of conflicting interpretations about the underlying causes of economic distress. These conflicts in areas of "soft" policy give politicians leeway to use information from abroad instrumentally to defend their interests, rather than causing them to band together and negotiate common fronts. As David Brian Robertson argues: "The use of lessons [drawn from abroad] as leverage in political conflict pervades policy areas where facts are contested, values are complex, and partisan differences are sharp."[13] Among the top Soviet leaders of the Gorbachev period, accordingly, virtually all agreed on such dramatic changes in "hard" policy as the INF Treaty and the withdrawals from Afghanistan and Eastern Europe, while there was almost no agreement on the proper direction for domestic political and economic reforms.

We might contrast the factors promoting collective learning in foreign policy with a pattern of divergent (or cross-sectional) learning[14] that occurs more frequently during domestic policy crises. In such cases individuals often learn *different* lessons (or fail to learn) even in the presence of shared information and good communication. As regards the former Soviet Union, most studies using the learning approach have examined

[13] Robertson, "Political Conflict and Lesson-Drawing," *Journal of Public Policy* 2 (January–March 1991).

[14] The terminology used in this section was drawn from discussions with Philip Roeder, who provided valuable suggestions.

how Politburo leaders achieved consensual policies through a process repeated interaction with foreign governments over time, especially ov matters of a technical or strategic nature. But this focus on "longitudina learning (collective learning over time) in foreign policy has fostered tendency to neglect cases of divergent learning, particularly in times domestic policy crisis. One exception to this trend is a study by Richar D. Anderson, Jr., which perceptively characterizes the *instrumental* na ture of late Soviet leadership views regarding the international enviror ment in these terms:

> They are likely to form perceptions of the international situation by the criterion of persuasiveness to their various constituencies and usefulness in justifying policy compromises and to use images chosen on these grounds to represent the international situation, instead of forming their perceptions of the international situation by monitoring the situation itself.[15]

In Soviet domestic politics after 1988, self-interest and the tendency t use information instrumentally became more pronounced because of th seriousness of the simultaneous political struggles going on betwee Party and state and between the center and the republics. These cris conditions led politicians to seek strengthened ties with their own sup port groups, rather than risk losing their political backing by attemptin to reach across established organizational lines. Thus, when faced wit conflicting information about foreign capitalist economic models, thes political blinders caused them to ignore messages that might otherwis have encouraged them to act upon established traditions of more conser sual decision making.[16]

Learning Theory Applied to the Soviet Economic Debate

In a 1990 article George Breslauer made the first serious effort to appl a "collective learning" framework to the Soviet economic debate. H argued that such concepts are useful for explaining the gradual Sovie acceptance since the late Khrushchev period of the need for economi reform. As he concluded, "Collective learning . . . goes far toward ex plaining the *increasingly radical* nature of economic reforms over time."

[15] Anderson, "Why Competitive Politics Inhibits Learning in Soviet Foreign Policy," i Breslauer and Tetlock (fn. 3), 117. As other studies have shown, this tendency is weakene by the presence of high strategic threats and technical factors. Thus, the author does n share Anderson's pessimism about learning in all areas of foreign policy.

[16] Herbert Simon has called this "selective attention," that is, political leaders exhibit "deliberate ignoring of the remainder [of a package of information] as irrelevant to the sul ject's goals and motives." See Simon, *Administrative Behavior: A Study of Decision-Makin Processes in Administrative Organization*, 3d ed. (New York: Free Press, 1976), 309.

[17] Breslauer (fn. 4), 255.

eslauer argued further that Gorbachev's more radical reform propos- after 1989 were accepted by the top leadership because the deteriora- n of economic conditions made them "credible."[18]

With the benefit of hindsight, we can see that beneath the veneer of ısensus in the events of 1990 and indeed earlier, a conflict of serious portions had already broken out between powerful organizational tions in the top Soviet leadership. Thus, while Breslauer's account is uable for explaining the distance the leadership had traveled together ellectually from Stalin's time to the early Gorbachev years and the sence of a significant degree of simple learning (changes in means), er explanations are needed to account for the differences that broke during the late Gorbachev years, which in the end proved more de- ve in the ensuing crisis.[19]

From 1988 onward the Soviet economic debate saw a gradual *differ- iation* of positions that ultimately resulted not in consensus but in cut- oat political conflicts played out from the fall of 1990 to December 1. Thus, the evidence of the subsequent year and a half suggests that er approaches need to be utilized in order to explain (1) the failure of Soviet Union to reform itself economically and (2) the political roots ts abrupt and—to many—unexpected end. The rest of this study ad- sses these aspects of the story.

To lay the groundwork, the failure of old-style consensus building can linked to the new requirements of the increasingly pluralist Soviet itical realm after 1988, which brought in factors previously *absent* m domestic policy-making. The creation of a meaningful state gov- ment, dissident voting in the Supreme Soviet, and an elected Con- ss of People's Deputies meant that decisions could no longer simply made by the higher-ups, without accountability. All major state and ty organizations had a great deal at stake in the changes being ught by perestroika; under these new conditions, therefore, their lers had to defend their constituencies or face criticism. Gourevitch's ervation about Western political responses to crises could now be seen vork in the Soviet context as well. As his research emphasizes: "Eco- nic crisis leads to policy debate and political controversy; out of con- , policies emerge. Policies, whether innovative or traditional, require

Ibid., 273. Breslauer explained that evidence of differentiation among leaders could be d to the necessity of "authority building" within the Politburo.

Ibid. As Breslauer correctly cautioned on the limits of the learning model as he looked nd 1990: "To be an effective contributor to problem solving, learning processes require ble frame of reference. When the situation changes fundamentally . . . lessons derived ı earlier experience may no longer be applicable. That is precisely what has happened to achev's economic reform program" (p. 276).

politics: that is, the responses to economic crisis require political support."[20]

LEADERS' SEARCH FOR INFORMATION UNDER CONDITIONS OF UNCERTAINTY

In order to identify new, more successful directions for policy in times of economic crisis, politicians—as nonexperts—look to government advisers, academic analysts, and other specialists. They also reflect on the experiences of other states that have faced similar problems in the past, filtering in the different economic mechanisms and biases at work in their own domestic institutions. Finally, they use elements of foreign models *selectively* to fit their practical needs in political struggles against rivals engaged in much the same maneuvering.[21]

As we have observed, the area of international *economic* learning contains few objective imperatives for directing domestic policy outcomes. Where there are no "right" choices or indicators of what specific policies "should" be followed, politicians tend to act in ways that will promote their self-interests, instead of seeking new knowledge primarily to achieve the "best" outcome.

Rather than using the term *collective learning*, therefore, we need to develop a concept more appropriate to what actually took place in the Soviet economic debate from 1988 to 1991: one that describes the selective use of new knowledge for both policy efficacy *and* instrumental political purposes. As a subset of divergent learning, I propose the concept of *borrowing*, which can be defined as *the process by which political leaders derive new knowledge from the international arena—and adopt new policy positions based on that information—in order to increase their political efficacy.*[22]

Unlike collective learning in international relations theory, which involves consensual knowledge developed from new technologies, situations of strategic interdependence, or iterated governmental negotiations,[23] borrowing is an explicitly secondhand, derivative form of international knowledge acquisition. It is creative only in the sense that new domestic political rationales must be developed to generate support

[20] Gourevitch (fn. 2), 19.

[21] For an excellent analysis of these processes from a public policy perspective, see Richard Rose, "What Is Lesson-Drawing?" and Colin J. Bennett, "How States Utilize Foreign Evidence," both in *Journal of Public Policy* 2 (January–March 1991).

[22] For a previous use of this term, see James Clay Moltz, "Commonwealth Economics in Perspective: Lessons from the East Asian Model," *Soviet Economy* 7 (October–December 1991).

[23] For more on learning of this variety, see Haas (fn. 8).

for these policies. Finally, where true (or so-called complex) learning involves changes in the underlying *goal* structures of policymakers (usually toward increased cooperation), borrowing may be consistent with old competitive strategies and existing domestic coalitions.

Overall, borrowing predicts that in situations where political leaders face choices between new information coming from *competing* epistemic communities,[24] ulterior political and institutional stakes will provide a reliable indicator for determining which alternatives they will choose.

Tracing the Learning Process: The Early Gorbachev Years (1985–87)

Gorbachev's initial theme for economic reform—*uskorenie* (acceleration)—fell squarely within the tradition of his former patron, Yuri Andropov. Although his speeches acknowledged the need for change, there was as yet no hint of any need to look toward foreign capitalism as the way out. In an interview for a Western audience in the fall of 1985, Gorbachev outlined a thoroughly old-style plan for reversing the negative trend in Soviet economic performance, saying:

> To improve the functioning of the national economy it will be necessary to further strengthen centralization in strategic areas of the economy through making individual branches, regions, and elements of the economy more responsive to the needs of economic development.[25]

If Gorbachev believed that radical reform was necessary, there was little evidence of it. He continued to focus on trying to make the *existing* system work better. As he said of Soviet aims in his first year in office: "In short, we are seeking the most rational method of managing the economy."[26] Meanwhile, the debate on economic reform remained clumped into a narrow band of largely technical improvements and cosmetic meddling.[27] (See Figure 2.) For there to be truly new thinking about the

[24] An epistemic community is a group of individuals united by shared beliefs about cause-and-effect relationships in a particular domestic or international policy environment; the group is united across institutional, professional, and sometimes national boundaries. For our purposes, it may include Soviet academics, industrial officials, Foreign Ministry bureaucrats, and advisers in various Central Committee departments who promoted a particular set of economic reforms. For a detailed discussion of this concept, see the special issue of *International Organization* ("Knowledge, Power, and International Policy Coordination," ed. Peter M. Haas) 46 (Winter 1992).

[25] See "An Interview with Gorbachev," *Time*, September 9, 1985, p. 24.

[26] Ibid. He admitted only one area of Soviet weakness: "We have not yet learned proper managerial skills as is required by a modern economy."

[27] For an analysis of the nuances of the debate at this time, see Anders Aslund, *Gorbachev's Struggle for Economic Reform* (Ithaca, N.Y.: Cornell University Press, 1991), 25–68.

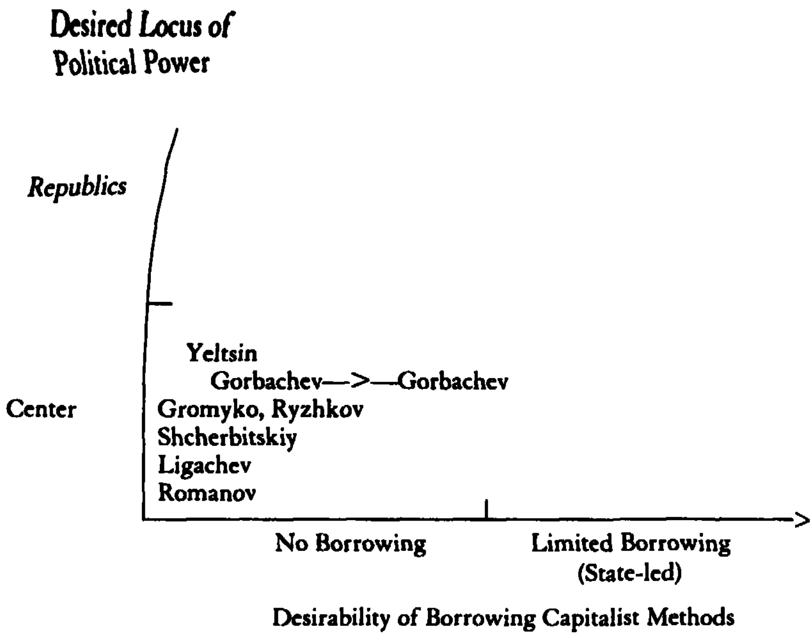


FIGURE 2
THE SOVIET DEBATE ON ECONOMIC REFORM (1985–87)

economy, the Soviet Union would have to break out of the notion that the only fruitful ideas for reform were homegrown.

Gorbachev's ambiguous signals (such as his focus on the anti-alcohol campaign) and the continuing strength of old-style Brezhnevites in the Politburo kept the lid on debate over reform possibilities—much less over active consideration of foreign models—until the latter part of 1986 and early 1987. After Gorbachev's initiation of glasnost in the Soviet press, academics began to engage in debate on the merits of foreign models—but with caution. After all, not so long ago, praise for capitalist methods could ruin a promising academic career. Thus, academia tended to follow rather than lead the process of perestroika, as did potential reformers within the central ministries and the party bureaucracy. These dynamics are consistent with the findings of organizational theorist Kare Rommetveit, who argues:

> Classical administrative and democratic theory suggest that changes in standard operating procedures may be instantaneous. A central planning unit or a renegotiated coalition may simply replace an established routine. Experience with organizational inertia, however, makes us believe that this type of change will be the exception rather than the rule.[28]

[28] Rommetveit, "Decision Making under Changing Norms," in James G. March and Jo-

Although Gorbachev had ousted some of his leading conservative rivals (including Romanov and Grishin) in 1985 and appeared to have consolidated control by 1987,[29] it is clear that he was not using this power to pursue radical economic reform based on the Western model. The Twenty-seventh Party Congress in 1986 came and went without serious economic restructuring. Only in January 1987 were joint ventures with minority foreign participation legalized, and not until the June 1987 Central Committee plenum did Gorbachev launch a serious attack on the old structure of central planning and ministerial control over enterprises. Most significant was the new Law on State Enterprises, which legalized direct contacts between Soviet factories and foreign firms, weakening (at least in intent) the stranglehold on trade enjoyed by the Ministry of Foreign Trade. At the same time, new legislation required that as of January 1, 1988, all enterprises (with the exception of those in the defense industry) were to be governed by the principle of *khozraschet* (self-accounting), which meant that they would be held responsible for losses and debt and, if warranted, be forced into bankruptcy. Opposition to these measures proved limited, as the reforms fell well within the technocratic solutions preferred by conservatives.

Gorbachev's adherence to long-standing Politburo norms of decision making by consensus and a united policy front allowed little room for genuine debate, however, much less pluralism within the Party. In late 1987 Moscow party chief Boris Yeltsin aroused Gorbachev's ire at the October Central Committee plenum by blasting conservative Yegor Ligachev for blocking perestroika before the assembled members. Although Yeltsin was only calling for enforcement of Gorbachev's own decrees—a far cry from the radical capitalist notions he would later espouse—he was abruptly fired from both the Politburo and his leadership of the Moscow party apparatus.[30]

Judging from Soviet writings on the question of reform, most Western observers of perestroika concluded that the Western market economies—and particularly the American economy—would provide the model for Soviet reforms. It seemed that a new epistemic community based in academia had convinced government leaders to look specifically

han P. Olsen, eds, *Ambiguity and Choice in Organizations* (Oslo: Universitetsforlaget, 1976), 141.

[29] For an argument on the strength of Gorbachev's political power at this time, see Jerry F. Hough, *Opening Up the Soviet Economy* (Washington, D.C.: Brookings Institution, 1988).

[30] Meanwhile, Yeltsin continued his heckling of Ligachev at the Nineteenth Party Conference the following year, although he no longer had the power to influence his or Gorbachev's positions. On the Yeltsin-Ligachev dispute, see Philip G. Roeder, "Red Sunset: Origins of the Soviet Constitutional Revolution" (Manuscript, November 1991), 315.

at the U.S. economy as a potential model for Soviet reforms. The initial Soviet focus on American techniques, however, had more to do with structural factors within Soviet academia and government research institutions than with some purported exclusive interest. During the cold war thousands of Soviet analysts had been trained to study the United States. Many had developed at least a grudging respect for it, and they also could see which way the political wind was blowing. With their already considerable expertise, it was relatively easy to produce new articles that had a positive slant on certain aspects of the American economy.[31] Ironically, the logical implication of applying the American model would be the destruction of existing central control over economic decision making, something not lost on Gorbachev and his leadership cohort.

Recognizing this contradiction, Gorbachev and his top advisers (including particularly Aleksandr Yakovlev) began explicitly distancing themselves from the American model by mid-1987 in hopes of forging a "socialist market" based on the limited application of capitalist techniques from above. In pursuit of these goals, they began to take note of the work of then-director of the Institute of Economics Leonid Abalkin, who suggested that the Soviet Union might do well to examine the Japanese economic model. In an interview in West Germany in 1987, Abalkin went so far as to say: "Among the capitalist countries, I would assess the Japanese highest of all." For the Soviet Union he proposed that "flexible, modern planning and market economy elements" might "very well complement each other."[32] It was no coincidence when Gorbachev soon picked Abalkin to serve as the chairman of the government's new State Economic Reform Commission.

However, it is doubtful that Gorbachev was as yet fully convinced of the usefulness of borrowing from the Japanese model. As leader of the Communist Party, Gorbachev still had very different political stakes from those of his economists. As he assured the members of the Central Committee in a speech in September 1988: "If we do not strengthen but instead weaken the Party, nothing will be accomplished from perestroika." Reform was necessary, he argued, "However, there must be order."[33] Thus, the Japanese model might be useful, but only within certain, clearly defined political parameters.

[31] See, e.g., T. Krasnopol'skaya, "Gosudarstvennoe regulirovanie i chastnoe predprinimatel'stvo v kapitalist-icheskikh stranakh: evolyutsiya vzaimootnosheniy" (State regulation and private enterprise in capitalist countries: The evolution of interrelations), *MEMO* 11 (1986); N. Pusenkova, "Gosudarstvennaya politika SShA v oblasti 'vysokoy tekhnologii' " (State policy in the U.S.A. in the sphere of high technology), *MEMO* 3 (1987); and M. I. Lapitskiy, "Pochemu oni rabotaet luchshe nas" (Why they work harder than we do), *SShA* 2 (1989).

[32] Abalkin interview in *Der Spiegel*, July 6, 1987, p. 98.

[33] Mikhail S. Gorbachev, "Ha novom etape perestroyki," in *Izbrannye rechi i stat'i* (Selected speeches and articles) (Moscow: Politizdat, 1989), 6:573.

It is clear from this evidence that two processes were at work. First, there was a process of complex learning by Soviet economists, free for the first time to express their true views on how the Soviet Union should organize its economy. Second, there was a process of much more limited, instrumental borrowing of these ideas by Soviet politicians. This process can only be termed simple learning, because in the translation from ideas to reality much was lost because of the ulterior political motives of various leaders to promote their own constituencies (for Gorbachev, the Supreme Soviet and the power of the all-Union presidency).

Even by the end of 1989 only a tiny portion of the economic reform legislation had been effectively applied. The state planning agency (Gosplan), the state supply network (Gossnab), and the central economic ministries continued to work virtually as before. As for the new cooperative (or private) sector—for all the storm it had raised in Moscow—it constituted less than 5 percent of the economy.[34] The reason was that implementation of these reforms threatened the power bases of a number of key organizations and their leaders, especially in the central ministerial structure. Accordingly, the well-intended Law on State Enterprises went completely ignored, and ministers continued to seize enterprise profits from earned export income for reallocation to losing enterprises or favored projects.[35]

But by 1988 the combination of Gorbachev's lack of progress in reforming the old economic structure and the dynamic effects of new popular elections changed the tone of economic debate from one of collaboration to one of confrontation.

The Soviet Economic Debate (1988–90)

After the adoption of radical political reforms at the party conference in the summer of 1988, the debate on foreign economic models became much more outspoken. Gorbachev's acceptance of a multiparty system in February 1990 and his victory over the conservatives at the Twenty-eighth Party Congress in July 1990 removed the final constraints on economic debate. Finally, a new period of open discussion and experimentation had begun.

As a 1989 report from the influential Institute of Economics in Moscow concluded:

[34] Figures provided by Russian economist Aleksey Isyumov, IREX Younger Scholars U.S.-Soviet Exchange in International Economic Security, Rockefeller Center, Dartmouth College, October 11–14, 1991.

[35] Despite its illegality, this practice continued throughout the final days of the Soviet Union.

> Economic success today cannot be established by a collection of sta characteristics or proofs. It is not a situation, but instead a process of ment, which can be described [only] by a collection of dynamic mea qualitative characteristics. Economic success is the capability of an omy to develop dynamically and flexibly in accordance with the dem of the time.[36]

But there was still a strong desire, even on the part of academic seek this new "success" within the limits of the existing system and avoid the economic disruption that would inevitably be associated wi full-scale structural reforms. As economists Artemev and Stankovski noted, the goal of the reform movement was not capitalism but a new form of *socialism* that combined market mechanisms with state planning.[37] Gosplan chairman Yuri Maslyukov promoted a similar mix of socialist and capitalist methods, explaining: "This principled approach of using the method of central planning in conditions of a regulated market defines the possibility of the full realization of our socialist direction."[38] Along these lines, President Gorbachev asserted at the party congress in July 1990 that the state would continue to act as a mediating force to protect individuals and "create buffers for the process of transition to market relations."[39]

During this same time government officials, influenced in part by chief reform economist Abalkin, began to make strategic policy decisions to promote study and use of the Japanese model in Soviet industry and state planning organizations.[40]

New Soviet diplomatic initiatives in the Far East and the extensive new press coverage devoted to the Pacific Rim economies raised public awareness of East Asian methods of quality control and technological prowess. This knowledge began to be impressed upon the public consciousness by articles in the official and private press highlighting the speed with which these countries made the transition from underdevelopment to prosperity through disciplined work and sacrifice.[41] The mes-

[36] D. V. Kuzin et al., *Ekonomicheskiy uspekh: novye faktory v sovremennykh usloviyakh* (Economic success: New factors in contemporary conditions), A Report of the Sector on Foreign Experience and Criticism of Bourgeois Theories (Moscow: Institute of Economics, USSR Academy of Sciences, December 21, 1989), 11.

[37] I. Artemov and S. Stankovskiy, "GATT i interesy SSSR" (GATT and the interests of the USSR), *MEMO* 19, no. 8 (1989).

[38] See Maslyukov's speech at the Twenty-eighth Party Congress, *Pravda*, July 5, 1990, p. 3.

[39] For the text of Gorbachev's speech, see *Pravda*, July 11, 1990, p. 2.

[40] For more details on these changes, see Moltz (fn. 22).

[41] See, e.g., V. Gubarev, "Mozhno li zhit', kak v Yaponii?" (Can we live like they do in Japan?) *Pravda*, March 20, 1990, p. 5. A large picture above the article shows a group of smiling Japanese teenage girls in front of a well-stocked electronics and appliances store. See also the interview with economist B. Z. Mil'ner, "Uzhnokoreyskiy fenomen" (The South

be: If they can do it, so can we. Ironically, however, there t to stimulate entrepreneurial initiative from below, and e of the new approach bore a disturbing similarity to an old- omic "campaign," rather than indicating a real revolution in g.

bly, this borrowing by members of the Gorbachev leadership was ccurring in a vacuum. On the *other* side of the Soviet debate, Boris tsin and newly elected reformist mayors Gavriil Popov of Moscow d Anatoliy Sobchak of Leningrad—with power bases below the all-Union level—began to promote a more Western-oriented capitalist model. This debate reached a showdown in the fall of 1990 over the highly publicized "500 days" Shatalin plan.

By this time, the major emerging forces in the political realm were the independent-minded republics, led earlier by the weak Baltic states but now joined by Yeltsin, the newly appointed president of the Russian Federation. After his humiliating demotion in 1987 from Politburo member to first deputy chairman of the State Committee on Construction, Yeltsin returned to politics in the spring of 1989 by gaining election to the All-Union Congress of People's Deputies. Although he called for more extensive reforms throughout 1989, it was only with his election to the presidency of the Russian Federation Parliament in 1990 that he attracted the attention of radical, pro-Western economists and began to develop a plan for overturning the existing economic order *and* its political structure.

Until 1988 the Soviet economic debate had largely revolved around the kind of reformed socialist political economy that was desirable for the Soviet Union. But with the worsening of the Soviet economic crisis over the course of 1990, the debate evolved into a pitched battle between two capitalist-oriented alternatives: one in which the central government would lead the move toward the market and one in which the state would be dismantled and private entrepreneurs would lead the economy. The fact that the two leading politicians now backed radical reform shows that some learning had occurred, although of a cross-sectional nature and not widely, as these approaches had many opponents. Even among these individual learners, moreover, the evidence points to adaptation rather than to complex learning. That is, since the outcome of the debate would affect domestic political actors and institutions in fundamental ways, "scientific" criteria were not the only ones considered by those who staked out positions. Ultimately, Yeltsin promoted an Amer-

Korean phenomenon), *Ogonek* 37 (September 1990). The article has a picture of a container ship loading South Korean cars for export.

ican-inspired economic model largely for its expected political effects in dismantling the central political and economic apparatus, which blocked his attempts to exercise power at the republican level. Meanwhile Gorbachev's leadership team continued to elaborate a Japanese-style approach to reform, which would attempt to implement additional market mechanisms from above, thus maintaining central political control. The goal of both Gorbachev and Yeltsin was not just to reform the Soviet economy but to reform it and also to maintain (if not further) their own power.[42]

Political Interests and the Debate over the Shatalin Plan (1990)

When forced in October 1990 to choose between the radical, Western-oriented "500 days" Shatalin plan and the gradual, state-led Ryzhkov program, the leading Soviet politicians fell into place much as their institutional interests would have predicted (see Figure 3). Russian Federation president Yeltsin, who had expressed virtually no interest in Western economic concepts as late as 1989, now embraced the American capitalist philosophy embodied in the Shatalin plan, despite its direct opposition to his earlier communist beliefs. The 500 days plan foresaw the rapid selling off of state industries, the elimination of the central economic apparatus (Gosplan, Gossnab, and the ministries), and the initiation of a privately led development process—all of which would strengthen Yeltsin vis-à-vis Gorbachev.[43] He realized that adoption of the plan would bring the system of central economic decision making to its knees and with it the power of both the Communist Party and the central government. By contrast, after first voicing his support for it, Gorbachev backed away from the plan when negotiations with his supporters in the Supreme Soviet convinced him that it would have threatened his key political base in the state economic bureaucracy and the Party. In all, the failure of consensus building showed how widely opinions had diverged since the 1985–87 period, ranging from that of old-style communists like Ligachev to that of radical reformers like Popov. (See Figure 3.)

The ultimate defeat of the Shatalin plan in October by deputies in the

[42] Unfortunately, these goals often worked at cross-purposes, something Gorbachev did not realize until late 1991.

[43] For more on the Shatalin plan, see Marie Lavigne, "Financing the Transition in the USSR: The Shatalin Plan and the Soviet Economy," Public Policy Paper 2 (New York: Institute for East-West Security Studies, 1990); on the various revisions of the plan, see Jonathan R. Schiffer, "Soviet Territorial Pricing and Emerging Republican Politics," *Journal of Soviet Nationalities* 1 (Fall 1990), 67–68.

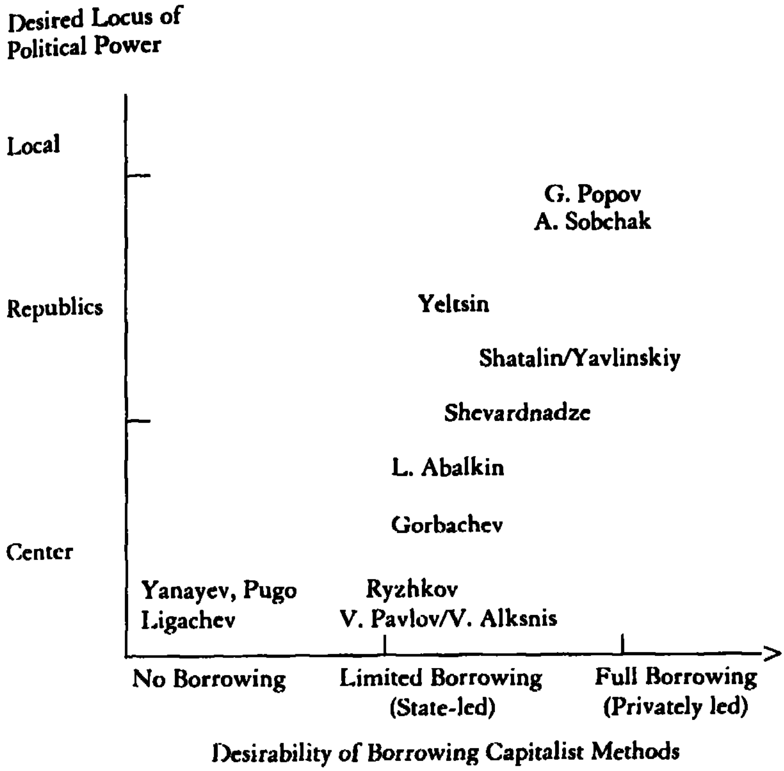


FIGURE 3
THE SOVIET DEBATE ON ECONOMIC REFORM (1990)

Supreme Soviet led to charges of "politicking" on both sides. Yeltsin accused Gorbachev of caving in to conservative pressures, while government leaders charged that Yeltsin's championing of the Shatalin program had been a blatantly political move. As deputy chairman of the USSR Council of Ministers, Leonid Abalkin critiqued Yeltsin's motives to deputies in the Supreme Soviet: "The '500 days' program ruled out the existence of the USSR government as an executive authority and presupposed an entirely different structure of organs and administration."[44] None of this should have come as a surprise to anyone aware of the political stakes in the debate.

[44] Interview in *Soyuz* 43 (October 1990), 2 (FBIS-SOV-90-224, pp. 45–47). Abalkin further stated that the accelerated time frame of the Shatalin plan and unpredictable effects made it "unrealistic" (p. 46).

At the same time critics correctly argued that the economy had seen few changes—much less improvements—since 1985. In November 1990 the chairman of the Constitutional Oversight Committee, S. Alekseyev, characterized the enduring scale of central control even after five years of reform:

> Over 90 percent of exports and imports remain in the hands of the USSR Ministry of Foreign Economic [Relations] through the state order system. Territories' freedom is actually illusory, although it seems as if the gates at the border have been flung wide open.[45]

With the economic situation in the country arousing increasing popular protests, the government felt impelled to act. Delegates in the Supreme Soviet had granted Gorbachev emergency powers over the economy in November, hoping to spur him to take a strong hand. But he lacked even a basic consensus within the Federation Council because of the wide disparity of views between his remaining communist supporters and radical reformers.

The government's inability to enact a mutually acceptable package was a product of the by now open conflicts among major economic institutions, various levels of state bureaucracy, and the local, republican, and all-Union governments. These different views created a highly fragmented policy-making environment. Indeed, by early 1991 there were six distinct schools of thought regarding the proper direction for economic reform. (See Figure 4.) As one might expect, each school's position on the old system and the role of borrowing was intended to maximize its political power in the eventual postreform system.

Soviet Economic Borrowing in Political Context

In considering the range of opinion in the political spectrum by this time, a common theme is the close link between the direction of borrowing (among those schools advocating it) and the locus of their political base, whether in the all-Union government, in the republics, or at the local level. The evidence shows very little indication of any residual collective learning by 1991. Moreover, it also casts doubt on the nature of divergent learning because of its clearly instrumental character.

Within the matrix of conflicting views, Gorbachev's Integrationalist school stood for the all-Union government and the Supreme Soviet and therefore backed an East Asian-type capitalist model that called for a strong central state presence in the economy. Before the dissolution of

[45] Alekseyev in *Izvestiya*, November 10, 1990 (FBIS-SOV-90-224, p. 51).

View of Old System			
Favorable	Conservatives (neo-Stalinism) (Comm. Party) (Pugo, Yanayev)	Nationalists (authoritarian) (Central mins.) (Pavlov)	Integrationalists (state-led reform) (Pres., Sup. Sov.) (Gorbachev)
Unfavorable	Old Russians (local control) (mir, church) (V. Rasputin)	Regionalists (divided econ.) (reg. govts.) (V. Fyodorov)	Republicans (full market) (repub. govts.) (Yeltsin, Popov)
	Negative	Mixed	Positive

View of Borrowing

FIGURE 4

COMPETING SCHOOLS OF THOUGHT/ORGANIZATIONS ON BORROWING (1991)

Gorbachev's old team over the course of late 1990 and early 1991, this school included such powerful figures as chief reform economist Abalkin, Foreign Minister Eduard Shevardnadze, and ideologist and confidant Yakovlev. But what appeared to be complex learning by Gorbachev in his initial backing of the Shatalin plan had yielded to instrumental borrowing in his decision to revert to the conservative position and attempt to use old methods based on existing central structures. This led many more reformist supporters to abandon his cause beginning in late 1990.

The chief rival to the Integrationalists within the government continued to be the Conservatives. These primarily old communists in the state apparatus and the military-industrial complex sought to preserve their power against the challenges of both private entrepreneurs and, especially, the growing power of the republican governments. As they witnessed the weakening of their political control and the decline in economic conditions, they tended to identify the solution in a reversion to neo-Stalinist techniques: discipline, coercion, heavy industrial investment, and belt-tightening.[46] By early 1991 this group represented a powerful coalition of top leaders including Vice President Gennadiy Yanayev, KGB chief Vladimir Kryuchkov, and Interior Minister Victor Pugo

[46] For one example of this school of economic thinking, see V. Vorobyev, "Bread Roll for One in Ten?" *Sovetskaya Rossiya*, December 16, 1989, p. 3 (FBIS-SOV-89-244, p. 85). The article is a scathing critique of Moscow mayor Gavriil Popov's promarket reform proposals.

(who would lead the crackdown in the Baltics in January 1991). Conservatives found their voice in the Soviet press in the neo-Stalinist writing of Nina Andreyeva.[47] *During the fall of 1990 they had played a major behind-the-scenes role in defeating the Shatalin plan. As newly appointed vice president Yanayev told representatives in the Congress of* People's Deputies in December 1990: "We have no right to pursue an unpredictable, convulsive policy in a country with 300 million people."[48] This group had never engaged in learning; indeed, it had begun a reaction even against the limited reforms of the 1985–87 period, believing them to have failed.[49]

The Nationalists offered a similar, but noncommunist perspective that was slightly more receptive to the application of foreign capitalist methods. As a group, they constituted a potent force in the Congress of People's Deputies, grouped around the Soyuz organization headed by Colonel Victor Alksnis. They supported economic reform, but only within the framework of a strong, centralized, and (if need be) repressive state apparatus. Soviet prime minister Valentin Pavlov would later seek support in the Nationalist camp after he opposed Gorbachev in a dispute over presidential versus prime ministerial power in the summer of 1991, a move that would presage his participation in the August coup attempt. Here, there had been some (simple) economic learning but largely as a means of strengthening the political power of the old state apparatus.

Among those schools calling not only for economic reform but also for a rejection of the old political system, the most powerful was the Republican school. Led ideologically by the economists Stanislav Shatalin and Grigoriy Yavlinskiy, this school opposed state planning as fundamentally flawed and promoted the immediate selling off of a whole range of government assets (including apartments, party buildings, and dachas), the end of state subsidies for enterprises, and a rapid shift to free-market pricing. Its political supporters—including Yeltsin and leading city mayors Popov and Sobchak—favored dismantling the central decision-making structure and redistributing power to the republics and private industry. Notably, by mid-1990 this group had begun to employ a number of American advisers. But was this learning or borrowing? The fact that Yeltsin's dramatic switch in policy advocacy from reform communism to radical Westernization had come only after his elevation

[47] She is particularly well known for her letter in *Sovetskaya Rossiya* of March 13, 1988; the letter criticized the Gorbachev reforms and stirred up rumors of a conservative coup attempt by Ligachev.

[48] Remarks by Yanayev quoted by TASS, December 26, 1990 (FBIS-SOV-90-248, p. 10).

[49] The only form of learning this does approximate is Deutsch's rare "pathological" learning (fn. 5).

the Russian presidency suggests that this was tactical borrowing aimed foremost at weakening Gorbachev.

Finally, there were the Regionalists and the Old Russians, who were located on the fringe of the central power struggle but who were nevertheless viewed by many Soviet citizens as offering options for reform. The first school was not a formal group but constituted an eclectic ideological kinship of individuals supporting—according to their political interests—liberal market reforms in the context of subrepublican, regional control of economic decision making. The school included such radical economists as Sakhalin oblast chairman Valentin Fyodorov, who wanted economic autonomy from both the all-Union and republic-level governments in order to pursue innovative economic reforms at the regional level and establish direct links with foreign investors. Taking a different approach, the Old Russians, while also rejecting central economic decision making, vehemently opposed the idea of borrowing from foreign capitalist models. This school's political supporters (including Valentin Rasputin, a member of Gorbachev's Presidential Council) were motivated by anti-Western, anticommunist, and often anti-industrial sentiments.[50] They called for dismantling the central control structure and reestablishing *local* control based on old, collective decision-making models (like the peasant mir). One wing of this school was gathered loosely around the ideas of the influential exile Alexander Solzhenitsyn, who in 1990 presented a plan (published in the newspaper *Literaturnaya Gazeta*) for sloughing off most of the existing Soviet republics and consolidating a new Russian national state based on traditional Slavic values and participatory local democracy.[51] The school drew support from many believers in the Russian Orthodox church, as well as from certain Soviet environmentalists.[52]

The above evidence suggests that politicians were less concerned with the economic underpinnings of foreign methods than they were with their political ramifications. During the last twelve months of the Soviet system, it would be these fundamentally conflicting organizational interests—rather than shared notions of collective learning—that would

[50] One author summarizes these views by saying that Rasputin is "an ultra-nationalist who wants to strengthen the Soviet military and is contemptuous of Western-style democracy and free markets." See Aurel Braun and Richard B. Day, "Gorbachevian Contradictions," *Problems of Communism* 39 (May–June, 1990).

[51] See Alexander I. Solzhenitsyn, "Kak nam obustroit' Rossiyu" (How we can reestablish [Old] Russia), *Literaturnaya Gazeta*, September 18, 1990, pp. 3–6.

[52] For more on the philosophy of this wing, see Robert G. Darst, Jr., "Environmentalism in the USSR: The Opposition to the River Diversion Projects," *Soviet Economy* 4 (July–September, 1988).

dominate the political scene, eventually destroying the old system and many of its institutions.

THE POLITICAL STRUGGLE OVER ECONOMIC REFORM (1991)

As he weighed his options for reform in 1991, Gorbachev's main political goal remained that of replacing the old system of Communist Party control with a new system of control by an *elected* government, with himself as president. Economically, the Japanese model continued to provide a justification and a rationale for maintaining *central* (versus republican) control in these turbulent times. Leading Soviet economists close to the government had argued increasingly in the previous year that the model of Japan in the 1960s and of the East Asian NICs in the 1970s and 1980s in gradually opening their economies to international competition—through the mediating role of a state-led industrial policy—might salvage central authority even as the state moved toward market mechanisms.[53] What was interesting about the developments of 1991 is that many communist bureaucrats began to endorse the Japanese model in hopes of creating a halfway house between the old system and an unfamiliar, privately run market economy. Indeed, late 1990 and early 1991 saw an increasing number of government leaders going to Japan in order to study ways of moving from "administrative command" planning to "indicative" state planning, and of industrial personnel going to examine Japanese management techniques.[54]

It is notable that the focus of this new interest was not on the dynamic entrepreneurial aspects of the Japanese model copied by Western corporations but was instead on its successes in state management of the economy. As such, the Japanese model provided a useful example for both reform and political stability. *Pravda* political analyst Vsevolod Ovchinnikov, writing in the spring of 1991, typified the new official interest, arguing: "Japan's economy is probably more efficiently and rationally controlled by the State than that of any other capitalist country."[55]

Yet what appeared to be a period of growing strength of the Conservatives and of Gorbachev's Integrationalists at the expense of the Republicans actually proved to be the period in which the all-Union government lost its control over events. Although not known in the West at this time, an important budget agreement signed in December 1990 between the heads of the republics and Gorbachev had begun to unravel

[53] Information from comments by Soviet economists attending the IREX Younger Scholars Exchange on International Economic Security (fn. 34).

[54] For further details regarding these trips, see Moltz (fn. 22).

[55] See Ovchinnikov, "Formula for Success," *Business in the USSR* 15 (March 1991), 58–59.

by early 1991 due to outright sabotage by the republics, especially Russia. By refusing to pay their agreed shares into the all-Union budget, the republics began to "starve" the center, which was still responsible for paying a vast state bureaucracy as well as the four million plus soldiers in the Soviet armed forces.[56] Ultimately, this forced the Gorbachev government to print rubles to pay state salaries, which caused the economy to begin spinning out of control.

In March, Yeltsin's popular election as Russian president gave him increased leverage in the negotiations over a new Union treaty. This set the stage for the dramatic transfer of power that Gorbachev would agree to in July as a last-ditch effort to save some semblance of the Union.

Ironically, many of the ideas of the old Shatalin plan came to the forefront of Soviet political debate on the eve of Gorbachev's trip to London that summer during the Group of Seven meeting. The Yavlinskiy/Pavlov program of July 1991 represented a comprehensive *state*-led reform package inspired by some of its market-oriented concepts. But this spurt of new learning by Gorbachev came too late.

With Gorbachev's proposed signing of the Union treaty in mid-August, top-level Conservatives saw no alternative but to attempt to seize power in order to save the center. By turning tax collection over to the republics and drastically reducing the revenues paid to the center, the new Union treaty would have accomplished what the Shatalin plan had proposed a year earlier—the destruction of the old central apparatus and with it the removal of tens of thousands of central bureaucrats from power.

Ironically, the failed coup by Conservatives in August only accelerated the devolution of authority. It also began to highlight differences in the agendas of the various republican leaders, suggesting that collective learning regarding the economy would become no more prevalent in the postcoup environment. Indeed, the aftermath of the coup exposed the absence of any real plan for economic and political reform in Yeltsin's Democratic Russia Movement. Its sole uniting objective was to oust Gorbachev. As one of its leaders, Nikolay P. Travkin, lamented amid the republican infighting of November 1991: "The only goals it [Democratic Russia] had were to win in presidential elections in Russia and to destroy the regime. Both were successfully accomplished—there are no more goals left for the movement."[57] With the failure of the republics to produce any real plan for common rule over the remnants of the Union,

[56] Remarks by economist Vladimir Popov at the IREX U.S.-Soviet Younger Scholars Exchange on International Economic Security (fn. 34).

[57] Michael Parks, "Yeltsin Party Fragments over Russian Unity," *Los Angeles Times* (San Diego County Edition), November 11, 1991, p. A8.

Yeltsin and the leaders of the two other Slavic republics cobbled together a Commonwealth of Slavic States in early December. The others (excepting Georgia and the Baltic states) joined in desperation later on, fearing economic and military isolation. Yeltsin's abrupt defrocking of Gorbachev later in the month and seizure of his Kremlin office left little doubt that whatever shared notions they might have had about economic reform now took a back seat to their more basic conflicts over the locus of political power. After his experience in 1987, Yeltsin would brook no compromises in forcing Gorbachev into a similarly humiliating exit from political life as part of the destruction of the all-Union government.

Conclusion

After years of denying the relevance of capitalism to the more "advanced," "socialist" Soviet Union, the late Soviet period saw top political leaders rushing to embrace new models of political economy in hopes of leading their country away from impending economic collapse. But what we in the West tended to interpret as Soviet "collective learning" based on increased "cognitive complexity" appears in retrospect as subtle (and sometimes less than subtle) efforts by Soviet leaders to protect their own political stakes in the changing late Soviet political order through the strategic promotion of foreign economic concepts. Thus, only with the worsening of the economic crisis did Gorbachev and other political leaders move away from socialist options to more market-oriented solutions. Even then, they moved only in those directions that would leave them in possession of political power. In the end, these alternatives diverged and resulted in conflict.

The question of why other development models—besides the American and Japanese—were not seriously considered or debated is important and sheds considerable light on the processes of international economic borrowing. While a strong case can be made that Soviet leaders would have learned more of direct relevance to their economy from studying France, Brazil, or Chile, they neglected this information because of the relatively low geostrategic significance of those countries.[58] As a general rule, this phenomenon could be expected particularly in a country like the former Soviet Union, where research institutes depended on the state for their funding. These models also suffered from

[58] This finding is supported by other work in the international relations literature. See e.g., Ithiel de Sola Pool and Allen Kessler, "The Kaiser, the Tsar, and the Computer: Information Processing in a Crisis," in James N. Rosenau, ed., *International Relations and Foreign Policy: A Reader in Research and Theory* (New York: Free Press of Glencoe, 1961).

the fact that political leaders could not point to powerful countries that had employed them in the past; and thus, despite their perhaps greater relevance, they were discredited.[59]

Moreover, due to the necessity of "selling" these models to conflicting constituencies, the common points of different capitalist-leaning reform programs could not provide a basis for compromise. Thus, constructive information incoming about foreign economies did not serve to link up compatible epistemic communities but rather provided further ammunition for domestic political battles. Politicians shaped new knowledge about foreign models to support their own political purposes, resulting in the creation of walls even between ostensible allies. Ultimately, these barriers to compromise contributed to the failure of late Soviet political consensus building and economic reform, speeding the way toward the eventual dissolution of the Soviet Union.

The dynamics of Soviet economic borrowing suggest a number of hypotheses for testing in other cases. Specifically, these findings further our understanding of the *process* of international "learning" in four key areas. First, they point out that actors do not learn "objectively" from information in the international system; rather, they borrow information highly selectively, according to their circumstances and needs. Second, they demonstrate how the absence of objective imperatives facing decision makers in domestic economic policy (as opposed to foreign and security policies) tends to result in more politically constrained learning. Third, this research shows that when respected information sources produce *competing* policy options, individual political leaders will tend to back the alternative that will best serve their own power base. Fourth, these findings highlight the interaction of increased cognitive complexity and instrumental organizational interests in determining *when* information becomes politically salient and *what* lessons actors will draw from it.

Thus, while the process of learning may be knowledge driven, it is not dictated by that new knowledge. At the level of policy, the specific lessons "learned" by actors are affected in important ways by their domestic political interests and the institutional context of the learning process.

[59] For a comparative historical case, we might consider Soviet borrowing from the American experience in the 1920s and 1930s. This interest grew out of Soviet respect for the mass production processes pioneered by Henry Ford and other leading American industrialists, as well as for rapid advancement of the United States as a world power after World War I.

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ABSTRACTS

Internal Battles and External Wars:
politics, learning, and the soviet withdrawal from afghanistan
By SARAH E. MENDELSON

Studies explaining the end of the cold war and change in Soviet foreign policy tend to emphasize the role of the international system: decision makers "learned lessons" about the international system, and this learning brought about Soviet accommodationist policies. Such systemic and cognitive learning approaches tend, however, to mask the political and highly contingent nature of the policy changes. To understand these changes, one must explore how certain ideas got placed on the political agenda and how others were forced off.

This essay stresses the role of ideas about both the foreign and the domestic scene, as well as the role of a network of specialists that helped put these ideas on the national agenda. Ideas alone cannot explain any one outcome. They must be understood in terms of the political process by which they are selected. Ideas are more likely to be implemented and epistemic communities are more likely to be influential under three conditions: (1) access to the leadership, (2) salience of the ideas to the leadership, and (3) the ability of the leadership to control the political agenda.

One critical example of great change in foreign policy was the Soviet withdrawal from Afghanistan. This study examines the interplay of ideas and politics over time and explains how the decision to withdraw was implemented and why it occurred when it did. It focuses on (1) the mobilization of an epistemic community before Gorbachev came to power, (2) massive personnel changes within Soviet institutions in the 1980s, and (3) the empowerment of the epistemic community once Gorbachev had consolidated his power.

Why Innovate?
founding the bank for international settlements
By BETH A. SIMMONS

One of the concerns of international political economy in the past several years has been to theorize about the conditions conducive to the development of international cooperation and institutionalization. This article explores the usefulness of economic theories of dynamic contracting, which are essentially functionalist in nature, to understand international financial innovation in the 1920s. It interprets the founding of the Bank for International Settlements as an important effort to overcome the problems of contract enforcement and information asymmetries in international lending that had contributed to capital market inefficiencies as the 1920s drew to a close. Dynamic contracting theories suggest reasons why borrowers and lenders have a strong interest in developing cooperative international institutions that help establish a borrower's credibility. This approach is supplemented with a multilateral bargaining model between debtor, private lenders, and creditor governments to explain international financial innovation during the interwar years. The evidence suggests that the BIS was created primarily to enhance Germany's incentives to repay its debts and that it was part of a deal between private creditors and creditor governments to reduce and commercialize German reparations. By looking not only at interstate bargaining but also at public/private bargaining, it is possible to understand the paradox of cooperative international institutional development in a period otherwise marked by conflict.

Credibility, Costs, and Institutions:
cooperation on economic sanctions
By LISA L. MARTIN

The conditions under which states will cooperate to impose economic sanctions are of both theoretical and practical interest. Generally, when sanctions are used, one state takes the lead in organizing and imposing them. Other states have incentives to free ride on the "leading sender's" efforts. To gain cooperation, the leading sender uses tactical issue-linkage in the

form of either threats or side payments. The success of cooperation depends on the credibility of these issue-linkages. The use of high-cost sanctions and international institutions raise the potential for high audience costs if the leading sender reneges. These policies thus indicate credible commitments. Data on ninety-nine cases of post-1945 economic sanctions show that costly measures coincide with high levels of international cooperation.

The Politics of Economic Transformation:
is third world experience relevant in eastern europe?
By JOAN M. NELSON

Two sets of Third World nations can shed light on the politics of economic transformation in Eastern Europe. First, there are nations that pursued particularly vigorous reforms in the 1980s. They shared three key political features: popular consensus that basic reforms were imperative; antireform groups largely in disarray or suppressed; and substantial executive autonomy in economic management. The first of these features is clearly present in Eastern Europe; the second is questionable; and the third is present but precarious and probably temporary. Second and also relevant to Eastern Europe is the growing group of Third World nations seeking to consolidate political openings simultaneously with major economic reforms. Economic and political liberalization conflict with, yet are crucial for, each other. Proposals that they be sequenced are unrealistic. In Eastern Europe as in the Third World a crucial dilemma is reconciling public demands for access to decision making with sufficient executive autonomy for coherent economic management.

After Regime Change:
authoritarian legacies, political representation, and the democratic future of south america
By FRANCES HAGOPIAN

This article focuses on the legacies of the authoritarian regimes of South America for the contemporary consolidation of democracy. In particular, it considers their lasting effects on the region's informal networks and formal institutions of political representation. It questions several assumptions made by the literature on regime transition and democratic consolidation in South America about political culture, institutional reform, and electoral realignment taken together, these assumptions are misleading about how much and what kind of political change has occurred in Latin America as a result of authoritarian rule. To understand how the challenges of democratic consolidation have been shaped, the article proposes instead to examine how the economic policies and political strategies pursued by military regimes preserved, altered, or destroyed the clientelistic and corporatist networks of mediation between state and society prevailing at the onset of authoritarianism, as well as those constructed upon the representative base of programmatic political parties.

INTERNAL BATTLES AND EXTERNAL WARS

Politics, Learning, and the Soviet Withdrawal from Afghanistan

By SARAH E. MENDELSON*

HOW do scholars account for the dramatic changes that occurred in Soviet foreign policy in the late 1980s and that contributed to ending the cold war? Thus far, the debate on the nature of the changes has centered around the issue of whether Soviet accommodationist policies represented lessons "learned" about the international system and superpower conflict, or whether they represented instead needs and interests generated by domestic politics.[1] In this essay, I address this debate and reframe it by stressing the influence of both "learning" and politics in explaining change in Soviet foreign policy.

I widen the focus of study to include not only external political determinants, such as the structure of the international system, but most importantly internal political determinants, such as power consolidating strategies, reformist ideas, and the legitimation of policy entrepreneurs in foreign policy. Instead of emphasizing the role of learning about the international system, I stress the role of ideas about both the foreign *and* domestic scenes. Also important are the networks of specialists that helped put these ideas on the national agenda. I argue that ideas alone cannot explain any one outcome; they must be understood, rather, in terms of the political process by which they are selected. Thus, I examine the interplay of the ideas, the people who voice the ideas, and the political process through which the ideas are institutionalized and the people em-

* I would especially like to thank Jack Snyder, Lynn Eden, George Breslauer, and Nina Tannenwald for careful and repeated readings. I would also like to thank Ted Hopf, Peter Lavoy, Richard Ned Lebow, Janice Stein, Scott Sagan, Elizabeth Valkenier, and participants at the 1991 SSRC workshop on Soviet Domestic Politics and Society. I gratefully acknowledge financial support for research and writing from the Center for International Security and Arms Control at Stanford University, the Peace Studies Program at Cornell University, the Harriman Institute at Columbia University, and the ACTR Variable Term Program.

[1] For an example of a learning approach, see Robert Legvold, "Soviet Learning in the 1980s," in George W. Breslauer and Philip E. Tetlock, eds., *Learning in U.S. and Soviet Foreign Policy* (Boulder, Colo.: Westview Press, 1991). For an example of a domestic politics approach, see Jack Snyder, "The Gorbachev Revolution: A Waning of Soviet Expansionism?" *International Security* 12 (Winter 1987–88).

powered. In this way, I show how ideas and political process are related to policy outcome.

This article focuses on a critical example of great change in foreign policy: the Soviet withdrawal from Afghanistan in 1989. Based on interviews in Moscow and extensive reading of the Soviet press, I argue that the withdrawal from Afghanistan was a by-product of the Gorbachev coalition gaining control of political resources and placing reformist ideas squarely on the political agenda.[2]

Change in Soviet foreign policy in the late 1980s is the story of the coalescing of a reformist constituency, its empowerment inside and outside the Party, and ultimately its ability to affect the political environment in which policy is made. The timing and nature of specialists' advice and the reformist ideas the specialists articulated explain in part this change in policy.[3] Without the convergence of interests and the diffusion of ideas between the specialist network and the leadership, however, there would be no story at all. Gorbachev and his advisers substantially increased the ability of reformers both inside and outside traditional Soviet institutions to influence the political agenda through personnel changes in the Politburo, Central Committee, and various ministries and through the empowerment of certain policy intellectuals.[4] The reformers' access to the political agenda transformed the political environment; domestic political pressures increased as reformists articulated economic and social realities. Change in certain foreign policies, such as the Soviet retreat from Afghanistan, became not only possible but necessary.

Politics and, specifically in this case, the process of selecting and promoting ideas and policies act as the main determining force in this story. The process involves leadership style, coalition building, personnel

[2] From September 1, 1990, to January 15, 1991, I conducted interviews in Moscow with participants in and observers of the foreign and domestic policy process. All translations are by the author unless otherwise noted. From these interviews, I have tried to use only information that has been corroborated by at least one other source. In most cases, I verified information from two independent sources.

[3] The focus on timing and nature of specialist advice draws on Peter Solomon, *Soviet Criminologists and Criminal Policy: Specialists in Policy Making* (New York: Columbia University Press, 1978). See also Thane Gustafson, *Reform in Soviet Politics: Lessons of Recent Policies on Land and Water* (Cambridge: Cambridge University Press, 1981). Solomon adapted the criteria of "scope and quality" of specialist advice for measuring influence from Zbigniew Brzezinski's and Samuel Huntington's comparative study of American and Soviet policy-making in the early 1960s, *Political Power: USA/USSR* (New York: Viking Press, 1963). I am modifying these indicators and applying them for the first time to a foreign policy case. As Solomon notes, the test provides the analyst with independently verifiable criteria with which to compare the role specialist advisers played in policy-making in different countries and different issue-areas.

[4] See also Stephen M. Meyer, "How the Threat (and the Coup) Collapsed: The Politicization of the Soviet Military," *International Security* 16 (Winter 1991–92), 8–9, on the role of nontraditional institutions in the defense decision-making process in the late 1980s.

change, and various other power consolidation strategies. Ideas—that is, knowledge, values, beliefs, and expectations that a network of specialists empowered by the leadership brings to bear on the political agenda—act as intervening variables; neither the ideas nor the experts in and of themselves independently determine policy changes. They provide, instead, a sense of the political and intellectual conditions in which the process unfolds.

This essay explains the Soviet withdrawal from Afghanistan by showing how the decision to withdraw was implemented and why it occurred when it did.[5] Studies have been done on the Soviet decision to intervene in Afghanistan, but very little has appeared in print on the decision to withdraw Soviet troops.[6] In explaining the withdrawal, this essay draws on the literature of "epistemic communities" and applies it to a Soviet security case.[7]

Below, I briefly discuss approaches that help illuminate, to varying degrees, the changes in Soviet policy in the late 1980s, including systemic explanations, "complex cognitive learning," "evolutionary learning," and policy process models.[8] I then examine how the interplay of evolutionary learning and political process over time led to the decision to withdraw from Afghanistan. To do this I focus on three phenomena: (1) the mobilization of a specialist network before Mikhail Gorbachev came to

[5] What follows, I argue, is the most plausible explanation for the withdrawal given available information.

[6] An important exception is a 45-minute television interview with Alexander Yakovlev on December 27, 1991, on the decision to withdraw troops: Central Television, First Channel; Foreign Broadcast Information Service-Soviet Union (hereafter FBIS-SOV), December 31, 1991, pp. 3–5. For a discussion of the intervention in Afghanistan in the Soviet press, see Igor Belyaev and Anatolii Gromyko, "Tak my voshli v Afganistan" *Literaturnaya gazeta*, no. 38 (September 20, 1989), 14. For a discussion of the withdrawal in the U.S. press, see Don Oberdorfer, "Afghanistan: The Soviet Decision to Pull Out," *Washington Post*, April 17, 1988; and Michael Dobbs, "Withdrawal from Afghanistan: Start of Empires Unraveling," *Washington Post*, November 16, 1992. This last article, based in part on "newly declassified documents" from the Kremlin's archives, offers somewhat different interpretations of people and events associated with the withdrawal. For a full discussion of the different interpretations, see Sarah E. Mendelson, "Explaining Changes in Foreign Policy: The Soviet Withdrawal from Afghanistan" (Ph.D. diss., Columbia University, forthcoming).

[7] An epistemic community may be understood as a group of experts in different fields who share common understandings and beliefs about certain issues as well as some idea of how best to implement their beliefs. Some scholars have found the notion of epistemic communities fruitful for explaining how American and Western European specialists influence policymakers to act on specific issues, such as the environment. For the most recent example, see the special issue of *International Organization* 46 (Winter 1992), edited by Peter M. Haas and entitled "Knowledge, Power and International Policy Coordination." For a slightly different version of the epistemic communities argument, see Ernst B. Haas, *When Knowledge Is Power* (Berkeley: University of California Press, 1990).

[8] In my discussion of the explanations, I limit the treatment of psychological approaches mainly to the complex cognitive learning approach; this particular approach to learning discusses change in ways that are not fundamentally different from most theories of belief systems.

power, (2) massive personnel changes in the Central Committee and the Politburo in the mid-1980s, and (3) the empowerment of the network as an alternative source of political support once Gorbachev had consolidated his power.

Foreign Policy and Change: Competing Explanations

Systemic Explanations

Neorealism, the most parsimonious structural theory of international relations, does not explain change in foreign policy. This theory explains patterns of international interaction over time, and specifically the recurrence of balance of power. Neorealism does not provide a satisfactory account for change, at least changes within states, nor does it concern itself with how interests are formed. Interests are particularly pertinent, however, to explaining how some issues get on the political agenda and others are kept off.[9]

Recently variations on systemic explanations have been used to discuss the changes in Soviet foreign policy.[10] For example, Daniel Deudney and John Ikenberry incorporate economic and sociocultural variables "outside of the contemporary realist focus," but emphasize the structural characteristics of the international system. They argue that the "pacific" nature of the international environment allowed for and, to a certain degree, brought about Soviet accommodationist policies in the late 1980s.[11]

While Deudney and Ikenberry attempt to extend the theoretical reach of both the realist and the liberal paradigms, their explanation of change in Soviet foreign policy in the 1980s is mainly systemic. This level of analysis, however, is ill suited to address the issue at hand for several

[9] For the classic works of neorealism, see Kenneth N. Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, 1979); and Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981). For a discussion of the inability of neorealism to explain change, see John Gerard Ruggie, "Continuity and Transformation in the World Polity: Toward a Neorealist Synthesis," *World Politics* 35 (January 1983); and Joseph S. Nye, Jr., "Neorealism and Neoliberalism," *World Politics* 40 (January 1988), esp. 236–41.

[10] See Daniel Deudney and G. John Ikenberry, "The International Sources of Soviet Change," *International Security* 16 (Winter 1991–92), 74–118; and Kenneth A. Oye, "Explaining the End of the Cold War: Morphological and Behavioral Adaptations to the Nuclear Peace," in Richard Ned Lebow and Thomas Risse-Kappen, eds., *International Relations Theory and the Transformation of the International System* (forthcoming).

[11] Deudney and Ikenberry (fn. 10), 76–78, 117. These authors distinguish between the sources of the crisis in the Soviet Union, which they argue was caused by domestic factors like the inefficiency of the economy, and the response to the crisis, which was shaped by external factors.

reasons. First, to understand change in Soviet foreign policy and the withdrawal from Afghanistan one needs to understand how the international system interacted with the Soviet political scene. Without a specific understanding of the interaction, one is left with an overly deterministic picture of events in the Soviet Union in the 1980s, obscuring the politics that took place within the domestic system and resulting in the portrayal of the Soviet leadership as a unitary actor.[12] In this light, accommodationist policies appear inevitable.

Second, systemic explanations are intrinsically underspecified when accounting for change in a specific nation's foreign policy. In fact, Soviet leaders had several different options for responding to the international system in the 1980s. One possible strategy, certainly from the viewpoint of a Soviet hard-liner, was escalation in Afghanistan: to stop imperialist aggression in the region, as exemplified by U.S. aid to the mujahideen, the Soviets could have responded with countermeasures. Another strategy, put forth by Soviet reformers who looked beyond the Reagan arms buildup and the U.S. policy in the region, was withdrawal; the benefits of global economic cooperation outweighed the costs of getting out.

Third, the international system was not as pacific, either empirically or according to Soviet perceptions, as the authors imply. Deudney and Ikenberry do not account for the many conflicts waged "in the name of peace" around the globe where either U.S. troops, guns, or funds were deployed—such as in Korea, Vietnam, Grenada, and Panama. Most importantly, many in the Soviet elite did not perceive the United States or the West as peaceful or nonoffensive in nature. Among the Soviet elite, there were at least two competing images: reformers emphasized the underlying pacifism of the system and old thinkers stressed the aggressive character of the capitalist states that dominated the system.[13]

In summary, if the nature of the international system had been more extreme, either more pacific or more aggressive, then perhaps it would have played a greater role in determining the nature of Soviet foreign policy. Conditions were, however, highly ambiguous and interpretations were hotly contested.[14] Auxiliary assumptions at a domestic level of

[12] As Philip E. Tetlock notes, "What excites the attention of investigators working at one level of analysis may well be invisible to investigators working at other levels of analysis." For a discussion, see Tetlock, "Methodological Themes and Variations" in Tetlock, et al., eds., *Behavior, Society and Nuclear War* (Oxford: Oxford University Press, 1989), 1:339.

[13] For a discussion on Soviet interpretations of U.S. foreign policy in the 1980s, see Douglas Blum, "Soviet Perceptions of American Foreign Policy after Afghanistan," in Robert Jervis and Jack Snyder, eds., *Dominoes and Bandwagons: Strategic Beliefs and Great Power Competition in the Eurasian Rimland* (New York: Oxford University Press, 1991).

[14] For a similar argument, see Janice Gross Stein, "Cognitive Psychology and Political

analysis are needed to demonstrate how certain priorities came to dominate the political agenda and thus led to, among other changes, the withdrawal from Afghanistan.

Learning

Descriptions of change in Soviet foreign policy that emphasize learning seem to provide ways to link levels of analysis. For example, most studies tend to stress lessons learned by decision makers from the international system.[15] In this way, the decision maker is constrained by the system within which he or she exists.[16] But what is meant by the term "learning"? There are almost as many definitions of learning as there are scholars who use the term.[17] Below, I discuss two types of learning. First, I focus on one representative type of cognitive learning—that is, complex learning—and argue that it cannot adequately account for changes in foreign policy.[18] Next, I argue that evolutionary learning, when combined with an examination of strategies for getting ideas implemented, provides a more powerful argument for explaining change in foreign policy.

Complex Learning

The hierarchical nature of belief systems is such that learning can occur at some levels and not at others.[19] Learning is considered "complex" if reevaluation occurs at a basic level of an individual's belief system. For example, Robert Legvold and Joseph Nye differentiate between "simple/tactical learning," where behavior may change while basic aims and values remain the same, and "complex learning," where beliefs actually

Learning: Gorbachev as an Uncommitted Thinker and Motivated Learner," in Lebow and Risse-Kappen (fn. 10), 8–11.

[15] See, for example, Legvold (fn. 1); Richard Herrmann, "The Soviet Decision to Withdraw from Afghanistan: Changing Strategic and Regional Images," in Jervis and Snyder (fn. 13); George W. Breslauer, "Ideology and Learning in Soviet-Third World Policy," *World Politics* 39 (April 1987). An exception in the learning literature is in Stein's essay where she emphasizes lessons learned from the domestic context (fn. 14).

[16] For a discussion, see Tetlock (fn. 12), 366.

[17] For a discussion, see Philip E. Tetlock, "Learning in U.S. and Soviet Foreign Policy: In Search of an Elusive Concept," in Breslauer and Tetlock (fn. 1).

[18] For an example of a complex cognitive learning explanation applied to Soviet foreign policy, see Legvold (fn. 1). See also Andrew Owen Bennett, "Theories of Individual, Organizational, and Governmental Learning and the Rise and Fall of Soviet Military Interventionism, 1973–1983" (Ph.D. diss., Harvard University, 1990). For a study using a modified version of this approach specifically on the case discussed in this essay, see Herrmann (fn. 15).

[19] The psychologist Milton Rokeach was a pioneer in the study of the structure of belief systems. See Rokeach, *The Open and Closed Mind* (New York: Basic Books, 1960). International relations scholars have elaborated on his ideas of "central," "intermediate," and "peripheral" beliefs.

change along with the improved "alignment" of ways to reach goals.[20] Legvold and Nye draw on the work of Lloyd Etheridge and Ernst Haas and speak of complex learning as the movement from simple to complex generalizations and the "more effective and more efficient alignment of ends and means."[21]

One general theoretical hypothesis of complex learning would argue that individuals repeatedly exposed to conflicting information about a subject process the information alongside existing beliefs. Individuals *can* process the information in a way that leads to complex cognitive change. Changes in core parts of the belief system in turn lead to changes in goals, priorities, policies, and, ultimately, in behavior. Not all experience or disconfirming evidence causes change; not all learning occurs in this way.[22] It is, however, the principal dynamic in complex learning—the cognitive approach in which I am primarily interested, and the one that is most often used to explain change in Soviet foreign policy under Gorbachev.[23]

Scholars using complex learning to explain the decision to retreat from Afghanistan argue that the Soviet image of the opponents—both the mujahideen and the U.S.—changed as a result of disconfirming information about the war and the international system.[24] This information overwhelmed existing beliefs about the nature of the enemy, the war, and the international system. It resulted in a reordering of goals and preferences and, eventually, convinced the Soviets of the necessity of withdrawing troops.

Such an explanation does not fit well with the evidence: Soviet policymakers received information throughout the late 1980s that confirmed the cold war image of the U.S. as an aggressive, hostile, imperialist force

[20] Legvold (fn. 1), 687–88. For Nye's discussion of learning, see Joseph S. Nye, Jr., "Nuclear Learning and U.S.-Soviet Security Regimes," *International Organization* 41 (Summer 1987). See also Breslauer (fn. 15), 430–33, for another differentiation in the levels of the belief system. Note that several authors in the Breslauer/Tetlock volume distinguish between adaptation and learning. Adaptation may be seen as similar to the tactical learning discussed by Legvold and Nye.

[21] Lloyd Etheridge, *Can Governments Learn?* (New York: Pergamon Press, 1985), 143; and Ernst Haas, "Why Collaborate? Issue-Linkage and International Regimes," *World Politics* 32 (April 1980), 390, as cited in Legvold (fn. 1), 687, 727.

[22] Indeed, much of cognitive political psychology attempts to specify the conditions under which this does and does not happen. See Tetlock (fn. 17).

[23] It should be noted that there could be other types of cognitive explanations to elucidate the withdrawal: one where tactical lessons were learned but core beliefs were left untouched. For example, the antiaircraft Stinger missiles could have raised the cost of staying in the war, thus altering military calculations of how to "win"—or at least not lose—the war. In this case, withdrawal would have been based on reassessed costs of prevailing with little or no change in overall beliefs about the nature of the international system or the adversary. I wish to thank George Breslauer for bringing this point to my attention.

[24] See Herrmann (fn. 15) for an example of this argument.

in the region.[25] *Indeed, after shipments of the Stinger heat-seeking anti-aircraft missiles to the rebels in the fall of 1986, there was much confirming information about U.S. aid to the mujahideen.*[26] *Georgii Arbatov, director of the Institute of U.S.A. and Canada (hereafter* ISKAN*), claims that the arms buildup under Reagan did much to fan the flames of the conservatives in the Soviet Union. American foreign policy in general, and specifically toward Afghanistan, made it more difficult—not easier,* he contended—for Soviet foreign policy to change in an accommodationist direction.[27]

In assessing the role of external determinants in bringing about the withdrawal from Afghanistan, I find that Stingers were largely irrelevant, although the missiles appear to have altered some Soviet combat tactics.[28] As I argue below, many inside the leadership believed that a withdrawal was necessary long before the mujahideen received the new weapons; the issue of withdrawal began to appear on the political agenda before the Stingers became militarily effective in the spring of 1987.[29] Both critics and supporters of the Stingers' military effectiveness tend to agree that these surface-to-air missiles (SAMs) did negatively affect the morale of the Soviet troops.[30] But assessments of the SAMs' tactical effectiveness are, at best, mixed. Stingers did not result in an increase in casualties. In fact, casualty rates actually decreased despite missile deployment.[31] Finally, some critics (and even some in the mujahideen) claim

[25] Herrmann (fn. 15) does not argue that U.S. policy caused a change in Soviet behavior and warns against "cold war motivational assumptions" that lead one to argue as such (p. 223). He does not, however, account fully for why a decrease in Soviet threat perception of the U.S. would change when U.S. policy was aggressive.

[26] From 1980 to 1984, U.S. aid averaged $50 million per year. By fiscal year 1986, it was up to $470 million and by fiscal year 1987, $630 million. Olivier Roy, "The Lessons of the Soviet-Afghan War," *Adelphi Paper* 259 (Summer 1991), 34. Between September 1986 and August 1987, 863 Stingers and Blowpipes were received by the mujahideen. Aaron Karp, "Blowpipes and Stingers in Afghanistan: One Year Later," *Armed Services Journal* (September 1987), 40.

[27] Author's interviews: January 4, 1991. This view was shared by Andrey Kokoshin (deputy director, ISKAN), November 11, 1991.

[28] While Soviet helicopter pilots generally flew at higher altitudes following the deployment of the Stingers, Soviet combat tactics had actually changed in 1986 before the deployment of the SAMs. See Mark Urban, "Soviet Operations in Afghanistan: Some Conclusions," *Jane's Soviet Intelligence Review* 2 (August 1, 1990), 366; and Roy (fn. 26), 20–23.

[29] For a discussion, see Roy (fn. 26), 23, 36.

[30] For positive or neutral accounts of the Stingers, see "Army Lauds Stinger Effectiveness in Afghan War," *Defense Daily*, July 6, 1989; and David Isby, "Soviet Surface-to-Air Missile Countermeasures: Lessons from Afghanistan," *Jane's Soviet Intelligence Review* (January 1, 1989), 44. For critical assessments, see Ian Kemp, "Abdul Haq: Soviet Mistakes in Afghanistan," *Jane's Defense Weekly* (March 5, 1988), 380; and Urban (fn. 28).

[31] The highest casualties were sustained in 1984 with 2,343 dead. Rates for the following years were: 1985, 1,868; 1986, 1,333; 1987, 1,215; 1988, 759; and 1989, 53. *Pravda*, August 17, 1989. On this point, see also Urban (fn. 28).

the Stingers were not even particularly effective at hitting their tar-.[32]

Continued Soviet aid of $300 million a month to the Kabul govern-ent long after troops returned home underscores the point that any essons learned" in Afghanistan had more to do with what was politi-ally feasible than with what was politically correct; relations with the Vest would be cooperative as long as Soviet *troops* were home and in pite of Soviet *aid* sent to Kabul.[33] Taken in isolation, Soviet-Afghan olicy after 1989 resembles, in some areas, tactical learning about the nternational system and the war much more than it does complex learn-ng.

Learning approaches, like systemic explanations, have tended to be nderspecified. Complex learning explanations, for example, could pre-ict that, given the increase in U.S. aid to the rebels, no change in Soviet olicy toward Afghanistan or the United States would occur. Yet they ould also predict that change in Soviet decision makers' strategic beliefs d the decision makers to alter fundamental conceptions about their ex-rnal conduct and ultimately led to the withdrawal of troops from Af-hanistan.

Studies on learning are underspecified partly because they have pro-ided a poor sense of the interdependent nature of foreign and domestic olicy and the influence of domestic politics on both. The focus on cog-ition has come at the expense of attention to national politics and to the rocess by which definitions of national interest are constructed and volve. The result is that these studies, like those based on systemic ar-uments, offer little sense of the element of contingency that inevitably hapes the policy process. Complex learning may or may not describe verall trends in changes in belief systems. But it certainly cannot explain e questions germane to the process behind the withdrawal from Af-hanistan: how did certain ideas and specific constituencies win out over thers?

VOLUTIONARY LEARNING AND POLITICS

he approach presented here to explain change in Soviet foreign policy nphasizes both the importance of ideas *and* the political process by

[32] Abdul Haq, the military commander of the Hizb-i-Islami, claimed that the impact of e missiles on the war had been exaggerated. " 'How could we stop all the Soviet aircraft cause we have 25 or 30 Stingers? No, it is impossible.' " Kemp (fn. 30). See also Urban (fn.).

[33] Reports on Soviet aid amounts in 1990 vary from $400 million a month to $250 million. e *New York Times*, May 12, 1991, and September 17, 1991. Olivier Roy (fn. 26), 34, the fghan specialist, writes that the Soviets were sending "huge amounts of economic and ilitary aid" through 1990.

which ideas become policy. Models that stress the role of ideas in explaining change in policy fail to explain why some ideas win out over others.[34] At the same time, models that focus on the political process of change tend to ignore the role of ideas and knowledge in their explanations, or they do not make clear the way in which knowledge and process interact and affect outcomes.[35] My approach explicitly links politics to ideas by focusing on the process by which some ideas are selected and others ignored.[36] This approach is meant to point out both the benefits and the constraints involved in using the concept of epistemic communities to illuminate policy outcomes. I use the concept of epistemic communities to refer to knowledge-based groups in the social sciences and humanities and not exclusively natural sciences. With this more inclusive usage of the term comes a higher degree of uncertainty about knowledge; "facts" are not as "hard" or subject to falsifiability outside the natural sciences.[37]

In contrast to complex learning arguments, which have stressed lessons learned from the international system, this approach focuses on the role of knowledge learned in the domestic context from an epistemic community. I seek to recast the debate about change in Soviet foreign policy in part by drawing on the work of Ernst Haas and Emanuel Adler, work that emphasizes the role of ideas and epistemic communities in changing policy.[38] The focus on these communities provides some theoretical leverage with which to systematically analyze the relation of expert knowledge to political power. I refer to this approach as evolutionary learning. My use of epistemic communities differs from Haas and Adler in that they emphasize the transnational aspect of learning from these communities, whereas I establish the conditions under which communities are likely to affect policy in their own country. Moreover, I distinguish different echelons within the communities based on access to leadership, a factor that emerges as critical for assessing when and how ideas get placed on the political agenda.

Haas and Adler address how ideas become policy and the role of experts in this process. Politics is implicit in the approach; different defi-

[34] See, for example, Peter M. Haas (fn. 7); and Ernst B. Haas (fn. 7).

[35] See, for example, Snyder (fn. 1).

[36] For different approaches linking politics and ideas in different issue-areas, see Judith Goldstein, *Ideas, Interests and American Trade Policy* (Ithaca, N.Y.: Cornell University Press, forthcoming); and Judith Goldstein and Robert O. Keohane, eds., *Ideas and Institutions* (Ithaca, N.Y.: Cornell University Press, forthcoming).

[37] In this sense, the usage is similar to one used by contributors to the special edition of *International Organization*. For a discussion, see Peter M. Haas, "Introduction: Epistemic Communities and International Policy Coordination," in Peter M. Haas (fn. 7), esp. 3.

[38] Ernst B. Haas (fn. 7); Emanuel Adler, "The Emergence of Cooperation: National Epistemic Communities and the International Evolution of the Idea of Nuclear Arms Control," *International Organization* 46 (Winter 1992).

nitions of national interest exist and the process by which some interpretations win out over others is political. Haas and Adler do not, however, distinguish between the force of an idea and the people it legitimates, thus confusing the issue of whether or not communities of experts *guide* or *justify* policy. The approach does not incorporate enough of the strategies that occur in order to get controversial ideas turned into new policies.

In the case of the Soviet withdrawal from Afghanistan and change in Soviet policy in the late 1980s in general, new thinking and reformist ideas encouraged shifts in policy. They were not, however, sufficient for bringing about policy changes. Ideas about reform would still be circulating in institutes in Novosibirsk, Moscow, and Leningrad with little impact on policy were it not for the strategies implemented by Gorbachev and his advisers.

Political process models have not yet explicitly examined the role of ideas and knowledge in changing Soviet foreign policy in the late 1980s. Jack Snyder, for example, in his article "The Gorbachev Revolution," argues that domestic institutions shape foreign policy. If institutions were to change, then foreign policy would change. Snyder discusses the origins of the atavistic institutions and ideas that must be replaced in order for reform to succeed.[39] He explicitly links change in foreign policy to the reformist domestic agenda but does not show how this agenda wins out over others. His article is meant more to provide a general picture than a detailed case study. To get a sense of the process of change, however, one needs to examine closely the fate of a specific policy or policies, such as Soviet policy toward Afghanistan.

Traditionally, the role of consensual knowledge and epistemic communities has not been incorporated into political process models. These concepts are not mutually exclusive and indeed add a needed dimension to an understanding of political process. Evidence from this case should encourage the use of such an approach.

Epistemic Communities and Political Power: A Soviet Case

In work on the role of specialists in Soviet domestic politics in the 1960s and 1970s, scholars argued that leadership style was ultimately more important in setting policy than the specialists' ideas.[40] Did this change in

[39] Snyder (fn. 1).

[40] See, in addition to the work of Solomon and Gustafson (fn. 3), Peter A. Hauslohner, "Managing the Soviet Labor Market: Politics and Policymaking under Brezhnev" (Ph.D diss., University of Michigan, 1984).

the 1980s? I argue that the withdrawal from Afghanistan represented the last stage in the pre-perestroika development of constituencies' power; by 1990, advocacy in the Soviet Union was no longer exclusively controlled by the leadership.

While Sovietologists examining the influence of expert knowledge on policy have not referred to specialists as part of an epistemic community, their findings are particularly relevant to this study.[41] Specifically, these works provide a basis of comparison from which to judge the activities of the epistemic community observed in this essay.[42]

In many of these studies scholars found that leadership style played a critical role in the degree to which specialists influenced policy. Specialists could change the terms of political discourse, but they needed sponsorship, institutionalization, and regular channels for communicating with the leadership, such as expert commissions or scientific councils. Thane Gustafson, for example, argues that ultimately the experts' ability to influence policy depends on whether there is a good match between the leadership's interests and the specialists' advice. In short, if the latter serves the leadership's purposes, decision makers are more likely to use the information.[43] Gustafson argues that the power relationship does flow two ways, but he suggests it does so unevenly.[44]

[41] Neither the epistemic communities nor the specialists that Sovietologists studied constituted interest groups. As Peter Solomon noted (fn. 3), 13, 170, the specialists tended to have different intellectual and technical backgrounds. The ideas that bound them were neither institutional nor bureaucratic, but largely conceptual and linked to their expertise. In the case discussed here, many of the ideas that specialists expressed went against career interests.

[42] For examples from domestic policy, see Solomon (fn. 3). He examines the role of criminal law scholars in changing criminal policy and finds that even under Stalin there was some participation. In the 1960s, the scope and impact of their influence was greatly increased through institutionalization. Thane Gustafson (fn. 3), and in *Crisis Amid Plenty: The Politics of Soviet Energy Under Brezhnev and Gorbachev* (Princeton: Princeton University Press, 1989), examines the impact of specialists on land, water, and energy policy and finds that if the leadership's interests match the specialists' recommendations, then experts wield substantive influence. In the foreign policy literature, there have been many studies of the impact of Soviet scholars on Soviet–Third World policy. Oded Eran, in *Mezhdunarodniki: An Assessment of Professional Expertise in the Making of Soviet Foreign Policy* (Tel Aviv, Israel: Turtledove, 1979), traces the institutionalization and professionalization of Soviet scholars in the 1950s through the 1970s. In *The Soviet Union and the Third World: An Economic Bind* (New York: Praeger, 1983), Elizabeth K. Valkenier describes what may be considered a foreign policy epistemic community and traces its influence in transforming Soviet aid and trade policies to reflect economic realities and not ideological constructs. Jerry F. Hough, in *The Struggle for the Third World* (Washington, D.C.: Brookings Institution, 1986), traces several debates among Third World specialist advisers. Franklyn Griffiths, in "Images, Politics and Learning in Soviet Behavior toward the United States" (Ph.D diss., Columbia University, 1972), examines the role of Americanists in policy and charts the progression of their ideas and the changes in Soviet policy towards the U.S.

[43] For a discussion, see Gustafson (fn. 3), 92–93, and idem (fn. 42), 296, 330. See also Ted Hopf, *Peripheral Vision: Deterrence Theory and Soviet Foreign Policy in the Third World* (forthcoming), for an extended discussion of advisers influencing leadership. On limitations of specialists' advice in foreign policy, see Hough (fn. 42), 257, 263; and Valkenier (fn. 42), x.

[44] Gustafson (fn. 3), 86.

My research corroborates Gustafson's observations on the power relationship, as well as the importance of a convergence of interests between the leadership and the experts. It points, however, to an additional variable in determining why information is used: *access*. I argue that after the epistemic community was given a political voice by Gorbachev, this community proved instrumental in shaping the political agenda and changing the political environment in which decision making occurred. There were different echelons within the epistemic community. A specialist's rank in the echelons determined access to the top leadership and therefore the ability to affect the political agenda.

The relationship of power in fact flowed two ways. Gorbachev needed and cultivated the support of the specialist network because it helped him legitimize and publicize the multitude of economic and social pressures bearing down on the Soviet Union. At the same time, many of the ideas that Gorbachev endorsed and promoted in the late 1980s, including specific ideas regarding Soviet–Third World relations and change in foreign policy, originated with the specialist advisers years before the ideas became policy.[45]

Specialist networks had existed in various forms before there was any movement (after 1983) toward organization and mobilization. There was, for example, much contact between Abel Aganbegyan's economic institute in Novosibirsk and the foreign policy institutes in Moscow.[46] Gorbachev and his circle of progressive thinkers in the party apparatus tapped into these networks, mobilized and politicized them. The support that this new epistemic community lent Gorbachev and the reformers in getting perestroika on the agenda was particularly important given the old epistemic communities that haunted the main institutions of power in the Soviet Union. This new constituency challenged the power and policies of the old thinkers in the institutions.

In order to win battles against the old order, the new community of specialists had to have access to political resources, that is, to a base from which to wage battles. In this sense, the relationship of power and knowledge flowed the other way as well. Many of the specialist advisers benefited to such an extent from contact with the leadership that they were either given or acquired public platforms from which to articulate and disseminate their ideas. These platforms came in the form of new

[45] On the Third World, see, for example, Nodari Simoniya, *Strany vostoka: puti razvitiya* (Countries of the East: Paths of development) (Moscow: Nauka, 1975). Simoniya at the time was a researcher at the Oriental Institute (hereafter IVAN) and is now deputy director of the Institute of World Economics and International Relations (hereafter IMEMO).

[46] Author's interviews: Viktor Sheynis (senior researcher, IMEMO, and deputy, Russian Parliament), December 24, 1990; Elizaveta Dyuk (assistant to Tatyana Zaslavskaya, National Center of Public Opinion), November 27, 1990; Arbatov (fn. 27).

Moscow institutes (Tatyana Zaslavskaya, National Center for Public Opinion), governmental positions (Leonid Abalkin, deputy prime minister), senior party posts (Alexander Yakovlev, Politburo member), and publications (Vitalii Korotich, editor of *Ogonëk*). In addition, following the elections to the Congress of People's Deputies in March 1989, many members of the specialist network gained a voice as deputies in the Supreme Soviet. With anonymity cast aside, these men and women changed the climate of ideas.

Based on articles and interviews, I have identified the epistemic community that, along with progressive thinkers from the party apparatus, played the most important role in attempting to change Soviet foreign and domestic policy in the late 1980s. The most prominent members of this group (those who formed the top echelon) included economists and sociologists (Abel Aganbegyan, dean of the Academy of National Economics; Tatyana Zaslavskaya, director of the National Center of Public Opinion; Leonid Abalkin, former deputy prime minister; Stanislav Shatalin, former member of the Presidential Council; Nikolay Petrakov, former economics adviser to the president), foreign policy specialists (Alexander Yakovlev, formerly Gorbachev's closest adviser, former member of the Presidential Council and Politburo; Georgii Arbatov, director of the Institute of U.S.A. and Canada; Evgenii Primakov, former member of the Presidential Council), and editors of newspapers and magazines (Vitalii Korotich, former *Ogonëk* editor; Yegor Yakovlev, former editor of *Moscow News*). The other layers of the community consisted of specialists in the scientific institutions and writers at newspapers and journals who, long before glasnost, had expressed discontent with policies in their scholarly writing, albeit sometimes veiled in Aesopian language. The work of the lower echelon was known to the top echelon, and the lower echelon's ideas were thus transmitted to the leadership.

In order to measure the influence of this specialist network and its various layers, I examine several criteria suggested by the work of Solomon and Gustafson. In their studies, Solomon and Gustafson detail how Soviet specialists played an active role in various aspects of domestic policy-making by examining the "scope and quality" of the specialists' input in policy-making.[47] I, too, examine scope and its several variables. I look at the types of issues specialists are called upon to analyze and the type of technical capabilities the specialists have. For example, is knowledge of the economy or of the United States something about which the leadership wants or needs advice? I also consider the character of the advice.

[47] For a discussion, see Solomon (fn. 3), 4–7, 107–25; Gustafson (fn. 3), 83–95.

there real criticism of existing policies or just a repetition of what the adership wants to hear? Next, I look at the level of the advice. To hom are the specialists giving their analyses?

In terms of the nature (or "quality") of advice, I am concerned, as were ›lomon and Gustafson, first, with the timing. Is advice provided before e "preliminary" decision or the "final" decision? I define a preliminary ːcision as an acceptance in principle of a policy proposal. (Naturally, is type of decision can only occur after the proposal has been placed on e political agenda.) I define a final decision as the formal announce- ent of the proposal.[48] Second, what is the function of the specialists? re specialists brought in for discussion after a decision is announced ıd then only to mobilize public support? The function of the specialists largely dependent on the timing of advice. Are specialists initiating eas or just mobilizing opinion? Third, what are the channels used for cess? Who has more access and why? Finally, because of the extraor- linary relationship of Gorbachev with many members of the epistemic ommunity, I consider to what extent different specialists are empow- ·red by the leadership in a formal sense. Do they move from being out- ide to inside the policy process?

The answers to these questions reveal much about the role of the spe- ·ialist network in the Soviet foreign policy process in the 1980s. Using ·vidence from interviews with observers and participants in foreign pol- cy, from articles, from behavior, and from secondary sources, I show hat this network participated in the policy-making process before the ›reliminary political decision was reached in July 1987 and again before he final decision was reached in February 1988.

What follows is a detailed narrative of an unfolding, incremental pro- ess of withdrawal that, in brief, involved several stages of decision mak- ng. The first stage occurred under Yuri Andropov in 1983 when, ac- ording to sources in Moscow, a high-level policy review concluded that he situation in Afghanistan could not be solved by military means. Do- nestic political conditions prevented any serious consideration of with- lrawal. When Gorbachev came to power in 1985, he and several in his ohort shared the belief that withdrawal was necessary. In this second tage, which continued through late 1986, it was, I argue, politically im- ›ossible to discuss the intention to withdraw publicly. Only after the eformers gained control of political resources in late 1986 and early 987, during the third stage, could the leadership express what was by hen a decision in principle to withdraw and implement policies aimed

[48] For a slightly different definition, see Solomon (fn. 3), 113–14.

[illegible] Soviet losses were actually decreasing desp-
use of Stinger missiles by the mujahideen. The intention to wi-
drew, I argue, preceded the introduction of these weapons into the w-
This stage also involved the announcement in 1988 of withdrawal a-
its completion in 1989.

The Mobilization of the Epistemic Community, 1983-85

The growth of the specialist network, its institutionalization and in-volvement in setting the political agenda, in addition to person changes, created a political environment in which a withdrawal co happen.[49] *The initial organization of this network occurred in the ye 1983 through 1985, although Gorbachev was tapping into networks th had existed for years.*[50] *Beginning under Andropov and continui through the Chernenko interregnum, a few progressives in the part apparatus made a conscious effort to bring together specialists from dif ferent fields and focus on pressing economic, political, and social prob-lems.*[51]

Much has been written about Andropov's mentor relationship to Gorbachev.[52] In a sense, Gorbachev inherited several policies and practices from Andropov, including the practice of seeking critical appraisals from a broad range of specialists not wedded to traditional Communist Party dogmas. For example, Gorbachev worked with and promoted many members of the Central Committee advisory group that had worked under Andropov's supervision in the early 1960s.[53] In addition, as secretary of agriculture, Gorbachev was in contact with the directors and top

[49] For a discussion on how intellectuals and specialists can change the environment, see Archie Brown, "Power and Policy in a Time of Leadership Transition, 1982–1988," in Archie Brown, ed., *Political Leadership in the Soviet Union* (Bloomington: Indiana University Press, 1989), 190; Gustafson (fn. 3), 83; Valkenier (fn. 42), x; Allen Lynch, *The Soviet Study of International Relations* (Cambridge, Cambridge University Press, 1989), xxxvi.

[50] Arbatov (fn. 27) states that Gorbachev's contact with foreign policy institutes began in 1983 before his trip to Canada. There was much contact between Gorbachev, Zaslavskaya, and Aganbegyan in 1983. See also Dyuk (fn. 46); Brown (fn. 49), 186; and Hedrick Smith, *The New Russians* (New York: Random, 1990), 5–16, 68–78.

[51] The practice of consulting with specialists on policy matters was not newly instituted by Andropov or Gorbachev. The critical character of the consulting, however, was new. Viktor Kremenyuk, deputy director of ISKAN, states that "since the 1970s the institutes (ISKAN, IMEMO, IVAN) have all been involved in foreign policy but in a marginal way." The institutes were involved in sending reports (*zapiski*), which were "very polite and restrained," and in consulting for the Central Committee. Author's interview, November 1, 1990.

[52] For example, see Dusko Doder and Louise Branson, *Gorbachev: Heretic in the Kremlin* (New York: Viking, 1990), 35–39; and Smith (fn. 50), 62–78.

[53] Specifically, Georgii Arbatov, Alexander Bovin, Fëdor Burlatski, Oleg Bogomolov, and Georgii Shakhnazarov all worked for Andropov and were prominent voices of perestroika. For a discussion, see Archie Brown, "Political Science in the Soviet Union: A New Stage of Development," *Soviet Studies* 36 (July 1984), 319; and Brown (fn. 49), 169.

major economic institutes. In fact, Gorbachev's vision of ed several years prior to his ascension to power as general eveloped, in fact, as a result of his study of *local* condi- foreign policy.[54]

's ideas about domestic reform were articulated before he eral secretary, in spite of the neo-Brezhnevian political cli- der Konstantin Chernenko. For example, in December 1984 chev outlined his agenda for domestic reform at an All-Union Sci- ic and Practical Conference.[55] Among others in attendance were members of the old guard as Boris Ponomarëv, head of the Inter- ional Department of the Central Committee, and Grigorii Romanov, rty chief from Leningrad. Gorbachev argued that, in order to enter e next century with a strong and efficient economy, the Soviet Union eded to work on the "reorganization of economic management." A ap had emerged in "production forces and relations," resulting in the tratification of society. A "redistribution of income" would be necessary, s well as a move toward "better socialist ownership." The "improve- nent" in economic relations would affect the political realm as well. "There is no other way forward," Gorbachev reasoned.[56]

The ideas expressed in the 1984 speech are similar to those of later peeches. Indeed, at the Twenty-seventh Party Congress in February 986, Gorbachev reiterated the themes of the speech with the words: "Comrades, the acceleration of the country's socioeconomic development olds the key to all our problems in the near and more distant future— conomic and social, political and ideological, internal and external nes."[57]

In the years before Gorbachev became general secretary, with Andro- ov's blessing and Chernenko's benign neglect, reform-minded mem- ers of the Central Committee cultivated reformist analyses and a con- ultative approach to policy-making. According to Vadim Zagladin, a ormer adviser to Gorbachev who worked for many years in the Central Committee, Gorbachev had extensive contact with specialists prior to

[54] Author's interviews: Vadim Zagladin (former director, Information Department, Cen- ral Committee [hereafter CCID]), December 12, 1990; Valerii Sidorov, former aide to Alex- nder Yakovlev and Evgenii Primakov, November 15, 1990; Arbatov (fn. 27); and Dyuk (fn. 6).

[55] M. Gorbachev, "Sovershenstvovanie razvitogo sotsiolizma i ideologicheskaya rabota artii v svete resheniy iyunskogo (1983) plenuma TsK KPSS," in M. S. Gorbachev, *Izbrannye chi i stat'i* (Selected speeches and articles) (Moscow: Izdatel'stvo "Politicheskaya literatura," 983), 2:75–108. See also Rudolfo Brancoli, "Mikhail Gorbachev's Secret Report," *La Repub- ca*, March 27, 1985, in FBIS-SOV, March 28, 1985, pp. 1–4.

[56] Brancoli (fn. 55).

[57] *Pravda*, February 26, 1986, in FBIS-SOV-Supplement, February 26, 1986

1985. Gorbachev himself indicated publicly that in the early 1980s, with the help of Nikolay Ryzhkov, then the head of the Economic Department of the Central Committee, canvassed approximately 110 reports from intellectuals on the need for change in the Soviet Union. In speech before scholars and cultural figures, Gorbachev claimed that "the results of (these) discussions and their analysis formed the basis of the decisions of the April (1985) Plenum and the first steps thereafter. Moreover, he pointed out that the work done at the June 1985 plenum was also based on prior exploration of the necessity for change. These reports, authored by heads and deputy heads of scientific organizations and institutes, writers, and intellectuals, covered domestic as well as foreign policy issues. Some of the reports addressed the war in Afghanistan, which was, according to Zagladin, discussed in mostly a negative manner. [58]

The people with whom Gorbachev had contact in the burgeoning epistemic community fall into a few broad categories. Many were domestic policy specialists with backgrounds in economics, sociology, and regional politics or were foreign policy specialists with a globalist perspective. They worked in the scientific institutes, although there were a few writers, both journalists and novelists. Several had had contact with the Central Committee over the years and many had worked under Andropov there or knew him or Gorbachev through regional party organizations. Most of these people had known one another for years.[59]

Conceptually, this group of domestic and foreign policy scholars formed a tacit alliance, both supporting and being supported by Gorbachev. Those scholars studying domestic politics shared certain ideas about the economy and the society and agreed on ways to deal with the harsh realities lurking behind the glowing five-year reports. One implication of these scholars' analysis of the economy was that enhanced cooperation with the West would be beneficial. Likewise, scholars studying foreign policy shared ideas about the nature of the international system and about how Soviet foreign policy should be conducted.[60] The implication of this perspective for domestic policy amounted to an endorsement of a more open society and a different relationship between the government, the Party, and the people.

[58] *Pravda*, January, 7, 1989, in FBIS-SOV, January 9, 1989, 50–59. Arbatov (fn. 27) and Zagladin (fn. 54) confirmed that most of the people listed above as key members of the epistemic community had written reports for Gorbachev between 1983 and 1985 on many topics concerning domestic and foreign policy.

[59] Author's interviews: Vitalii Korotich, former editor of *Ogonëk*, December 14, 1990, January 9, 1991; Arbatov (fn. 27).

[60] For a particularly compelling example of this among Soviet Americanists, see Franklyn Griffiths, "The Sources of American Conduct: Soviet Perspectives and Their Policy Implications," *International Security* 9 (Fall 1984).

titutionally, most of these policy experts came from the Academy iences (ANSSSR). Until 1988, the economic institutes and the foreign y institutes were under the same branch at the ANSSSR. In the 1980s institutional grouping meant that there were many opportunities to e ideas at regular conferences. Viktor Kremenyuk has stated that se connections meant that there was frequent contact between Shan, Abalkin, Arbatov, and Primakov with such people as Aganbegyan d Zaslavskaya.[61] According to Viktor Sheynis, then a senior researcher the Institute of World Economics and International Relations MEMO), every few months Abel Aganbegyan, later one of the architects f perestroika, came to Moscow for a seminar at IMEMO.[62]

In addition, scholars and party functionaries studying different issues ad regular contact with one another. As earlier noted, Gorbachev, in is post as agricultural secretary of the Central Committee, had contact vith the heads of all major economic institutes, including Aganbegyan's enter in Novosibirsk and IMEMO in Moscow, where Yakovlev and Prinakov were later directors. Finally, intellectuals and writers traditionlly prepared the party plenum and congress reports. By the mid-1980s, eformist thinkers had largely replaced hard-liners in this work.[63]

In summary, an epistemic community began to form around Gorachev in the early 1980s. The advice and reports of the specialist advisrs helped lay the groundwork for perestroika so that, by March 1985, nany of the basic ideas for reform were already developed, including leas about Afghanistan and the economy. Below, I examine the early eriod of Gorbachev's leadership and consider both the personnel hanges and the further growth of the epistemic community as manifestions of an evolving political environment.

HANGING THE DOMESTIC ENVIRONMENT, 1985–86

n the early period of Gorbachev's leadership, from March 1985 to Decmber 1986, it was politically problematic to initiate major policy hanges in either domestic or foreign policy.[64] In this period, Gorbachev ontinued Andropov's anticorruption campaign, coupling it with an ntialcohol campaign. One finds little evidence, however, of the more dical political and economic reforms that emerged later. Foreign policy this time consisted of a slight warming of the cold war marked by

[61] Kremenyuk (fn. 51).
[62] Sheynis (fn. 46).
[63] Sidorov (fn. 54); Arbatov (fn. 27).
[64] Jerry Hough argues that no radical policies could be launched before Gorbachev conlidated his power. See "Gorbachev Consolidating Power," *Problems of Communism* 36 ily–August 1987). For a contrasting opinion, see Patrick Cockburn, *Getting Russia Wrong* ondon: Verso, 1989).

summits and fireside chats, without concrete manifestations of change such as arms control or cease-fire treaties. In fact, concrete change would not come until Gorbachev's political base was built up and alternative sources of power and legitimacy were nurtured. Only then would the withdrawal from Afghanistan and explicit challenges to traditional notions of national security be possible.

That the withdrawal from Afghanistan did not occur during this period should not be taken as evidence that the war was viewed favorably by all. According to officials and experts in Moscow, Gorbachev and many in the specialist network believed, long before March 1985, that the situation in Afghanistan could not be solved by military means.[65] Evidence suggests that Yuri Andropov was especially influential in the evolution of this attitude; a policy review of the war in Afghanistan began at the highest level during his chairmanship. Both Sergey Akhromeev (chief of Soviet armed forces, 1984–88) and Georgii Arbatov claim that Andropov, while not a new thinker, came to the conclusion himself in 1983 that a military solution to the war in Afghanistan was not possible.[66] Both men, who knew Andropov well, argue that for political as well as personal reasons, he could not initiate the withdrawal. They claimed that at this point, Andropov had neither the physical strength nor the time; once he embarked on the anticorruption campaign, he had little energy for anything else.[67]

According to Fikryat Tabeev, the Soviet ambassador to Afghanistan

[65] Author's interviews: Sergey Akhromeev (former chief of the Soviet armed forces, 1984–88, and former senior military adviser to Gorbachev), January 3, 1991; Fikryat Tabeev (former Soviet ambassador to Afghanistan, 1980–86, and former deputy chairman of Committee on International Affairs, Supreme Soviet, USSR), December 4, 1990; Arbatov (fn. 27); Zagladin (fn. 54). Arbatov told Gorbachev that he was against the war, and he believes that Yakovlev and Primakov did too. Korotich (fn. 59) says he knows that Yakovlev was very much against the war and that they talked about it many times. On December 27, 1991 Yakovlev (fn. 6) publicly discussed Gorbachev's early opposition to the war and both men's attempts to get the withdrawal on the political agenda. Doder and Branson (fn. 52), 46, claim that on Gorbachev's trip to Canada in May 1983, in an off-the-record comment, Gorbachev told Eugene Whelan, his host and then the Canadian agricultural minister, that the invasion of Afghanistan had been a mistake.

[66] In May 1989, Arbatov also told Janice Gross Stein about this policy review. See Stein in Lebow and Risse-Kappen (fn. 10), 46 (September 1992 manuscript). I am not arguing that Andropov necessarily wanted or needed to withdraw for the same reasons as Gorbachev. Andropov may have felt that the war had to end for strategic reasons unconnected to domestic policy: that fighting a war on the southern flank was a waste of resources when major battles with the main opponent would likely come on the central front in Europe. I am arguing that these reasons did not include a changed conception of the international system but involved specific judgments about the war itself. As long as his motivations for withdrawal are ambiguous, I will treat Andropov's desire to end the war as not contradictory to later motivations for withdrawal.

[67] Akhromeev (fn. 65); Arbatov (fn. 27). See also Selig Harrison, "Inside the Afghan Talks," *Foreign Policy* 72 (Fall 1988).

Andropov understood that withdrawal was necessary but ɞe difficult. He stated that "Andropov was not against the with-al. It was simply not possible to do it (snaps fingers): bring in troops then without warning . . . withdraw troops."[68] Oleg Bogomolov, ector of the Institute of International Economic and Political Re-rch, also states that the "process" of withdrawal began under Andro-v. "He already understood that it was necessary to reconsider this pol-y. . . . But he understood that it was very complicated. It touches the iterests of the ruling elite and to come to this quickly in a definitive way as impossible; it demanded a defined time-period. And that which he egan, Gorbachev continued."[69] In short, the political environment had be transformed in order for a withdrawal to take place.

To change the political environment, Gorbachev's first task was to ter the balance of power between the general secretary, the Politburo, nd the Central Committee. The configuration of power at the time of iorbachev's ascension is disputed among Western Sovietologists. For ex-nple, Thane Gustafson and Dawn Mann have argued that the general cretary's power was curtailed by the Politburo and other institutions ith vested interests; an oligarchic struggle between institutions in Mos-w determined policy outcomes.[70] Jerry Hough offers a contrasting por-ait: the general secretary, using the "cadres weapon," influenced the lection of the regional party secretaries, who in turn controlled the lection of the delegates to the party congresses. These delegates elected ie Central Committee, which elected the Politburo, which elected the neral secretary.[71] Control over the selection of the cadres insured con-ol over policy.

These contrasting descriptions of the balance of power in the Soviet adership, however, are not necessarily mutually exclusive. Specifically, e Gustafson/Mann oligarchic scenario describes the situation when orbachev came to power. In order to begin the process of change, Gor-ichev had to maneuver politically and form alliances following this pat-rn. The Hough scenario of the cadres weapon and a stronger general cretary, however, quickly emerged through personnel change in 1985 id 1986 as Gorbachev gained control of both the Politburo and the ntral Committee.

The balance of power between the general secretary, the Central

[68] Tabeev (fn. 65).
[69] Author's interview, Bogomolov, January 2, 1991.
[70] Thane Gustafson and Dawn Mann, "Gorbachev's First Year: Building Power and Au-rity," *Problems of Communism* 35 (May–June 1986).
[71] Hough (fn. 64), 21.

Committee, and the Politburo had direct relevance for policy towar Afghanistan because it defined and limited political possibilities, thu shaping the political environment. The oligarchic scenario is exemplifie by the conservative political climate in the Politburo during the polic review of Afghanistan in April 1985.[72] Despite the opinion shared b some of the leadership and the specialist network that the war shoul end, an immediate withdrawal or cessation of the war was politicall impossible. Instead, what seems to have happened was a decision to es calate and a postponement of any kind of serious reappraisal of the wa According to some sources, the military was given one year to win th war.[73]

An explanation for this decision follows the oligarchic scenario. Man of Gorbachev's advisers and even a few in the military shared the beli that military means could not solve the problems in Afghanistan. Ac cording to Akhromeev, military leaders had advised against the inter vention in 1979 and were ready for withdrawal in the early 1980s. I addition, Zagladin also recounted that, except for Defense Minister Dmi trii Ustinov (no small exception), the military leadership—including Ni kolay Ogarkov, Valentin Varennikov, and Akhromeev—opposed th war.[74] As further evidence, according to Vitalii Korotich, Akhromee himself gave approval for publishing Artëm Borovik's controversial ar ticles on the Soviet-Afghan war in *Ogonëk*, where, for the first time, So viet readers got a sense of the death and destruction taking place.[75]

A sizable sector of the party apparatus, the military, and the military industrial complex, however, was not willing to consider seriously a

[72] At the February 17, 1988, plenary session of the CPSU, Gorbachev spoke of this earl policy review. *Pravda*, February 19, 1988, pp. 1–3.

[73] Author's interviews: Artëm Borovik (former correspondent in Afghanistan for *Ogonëk*, October 29, December 6, 1990; Andrey Grachev (former deputy director, CCID), Decembe 25, 1990; Korotich (fn. 59); and Kremenyuk (fn. 51) all confirmed this. Arbatov (fn. 27) and Akhromeev (fn. 65) said they had no memory of this, and Zagladin (fn. 54) had no comment.

[74] Akhromeev (fn. 65); Zagladin (fn. 54); and Korotich (fn. 59). Despite the fact that Ar batov was engaged in a polemic with Akhromeev (they were not on speaking terms), Arbato also confirmed that Akhromeev told the political leadership that he opposed the intervention. If military leaders actively opposed the war, it was for different reasons than the specialist network, including judgments about the difficulty of fighting a guerrilla war. In any case, as Bruce Porter has pointed out in "The Military Abroad: Internal Consequences of External Expansion," in Timothy J. Colton and Thane Gustafson, eds., *Soldiers and the State: Civil Military Relations from Brezhnev to Gorbachev* (Princeton: Princeton University Press, 1990), 307–16, whatever protestations were made by the top military leadership, promotion rates were not affected. For example, Akhromeev was promoted to chief of the general staff in 1984.

[75] Korotich also claimed that Varennikov was very helpful. For an English translation of Borovik's articles, see *The Hidden War* (New York: Atlantic Monthly Press, 1991). High level approval was needed and granted to research and to publish these articles, which ap peared in *Ogonëk* in the summer of 1987 and the spring of 1989.

According to Viktor Kremenyuk, deputy director of : time Gorbachev came to power there was already a con- ween two major communities"—those who talked about ›f stopping the war and those who felt the Soviets could without a victory. Kremenyuk claims, "Gorbachev was situation so he decided to give the military a chance to ves."[77] Gorbachev, a politically astute man, had to mollify /e forces.

Arbatov, in his memoirs, describes the tremendous influ- ilitary-industrial complex on the Soviet leadership, from ›ugh the ascension of Gorbachev. He notes that this insti- was very strong when Gorbachev came to power; in order policies implemented, Gorbachev and his advisers had to ition building and compromise. Akhromeev and Arbatov point out that it was politically impossible for Gorbachev ithdrawal of troops immediately after coming to power, ıow he or his advisers felt about the use of military force ı.[78]

›ects, the cadres weapon scenario began even before Gor- o power, since Andropov had appointed him senior per- y of the Party.[79] Gorbachev, along with Andropov, was in ›sition to place reformist-minded, or at least centrist, first es in the Central Committee in 1982 through 1984.[80]

le information, the precise role of the military leadership in the decision o withdraw remains a matter of debate. Certainly it is ambiguous. For ' (fn. 6) has recently called into question the military leadership's willing- .roops. He implies that, despite what members of the military leadership ıcluding Akhromeev and Varennikov, passively resisted the withdrawal. ; the tactics used as late as 1988 by these men to stop the withdrawal, ›ns of Gorbachev, Shevardnadze, and himself. For a lengthier discussion ole of the military in the intervention and the withdrawal, see Mendelson

'n. 51). Yakovlev (fn. 6) also speaks of these groups. According to Borovik ıe military at this time argued for sixty to seventy thousand more troops war.

'n. 65); and Arbatov (fn. 27). Also, Georgii Arbatov, "Iz nedavnego pro- os. 9 and 10 (1990). See also his memoirs as they appear in English, *The* : Random House, 1992). In addition, Karen Brutents, first deputy director sized that the withdrawal could only take place after certain "conditions" (Author's interview, December 7, 1990).

Russia and The West: Gorbachev and the Politics of Reform (New York: ·r, 1990), 151. For an extended discussion of personnel selection patterns, orbachev and the New Soviet Prefects: Soviet Regional Politics 1982–1988 ective," in *Analyzing the Gorbachev Era: Working Papers of the Students of ·d Program in Soviet Studies* (Berkeley, Calif.: Berkeley-Stanford Program 989), 10–12.

), 28.

Hough claims that Gorbachev was essentially stacking the deck so that by the time the Twenty-seventh Party Congress met in March 1986, 3[illegible] percent of the first party secretaries were newly appointed.[81] Moreover, only 60 percent of the Central Committee was reelected during the Congress, as opposed to 90 percent at the Twenty-fifth and Twenty-sixth Party Congresses.[82]

The Congress was noteworthy not only for personnel changes but for Gorbachev's characterization of Afghanistan as a "bleeding wound." While this metaphor was symbolic of new thinking in foreign policy and of Gorbachev's sentiments about the war, it was also characteristic of the boundaries of new thinking at the time: Gorbachev's ability to distinguish a regional conflict from an ideological one was not as yet accompanied by a public willingness to acknowledge mistakes made in the name of internationalist duty. Regardless of the fact that he and his cohort wanted to withdraw from Afghanistan, he publicly assigned responsibility for this wound to "counterrevolution and imperialism" and not Soviet involvement per se in the war.[83]

By replacing the "hand of imperialism"—the Brezhnevian image used to characterize the war—with the new image of the bleeding wound, Gorbachev was acknowledging that the situation inside Afghanistan had grown increasingly problematic.[84] Further, the sapping of strength and health from society that the new metaphor suggested was consistent with the view that domestic priorities should dictate foreign policy. Yet he stopped short of assigning any blame to Soviet military policy for conditions inside Afghanistan. This statement was not a public acknowledgment of a mistake; that would come three and a half years later, in October of 1989, with Shevardnadze's remarkable discussion of the Afghan war as immoral and illegal.[85] According to Zagladin, this hesitancy

[81] Ibid.; and Hough (fn.79), 165.

[82] By the end of the Congress there was a smaller Central Committee with 307 members, down from 319; 40 percent (125) of them were new. Hough (fn. 79), 171. The changes in the Central Committee were matched by equally sweeping personnel changes in the Politburo. Between March 1985 and March 1986, eight new men were added, all with ties to Gorbachev or to Andropov. Two were promoted, and five were removed. See Gustafson and Mann (fn. 70) for a discussion. Of the original nine full members on the Politburo when Gorbachev came to power, three were dismissed and one was put in a ceremonial position. None of the remaining men were promoted. Hough (fn. 79), 171. By June 1987, one of the main architects of perestroika and a strong voice in the specialist network, Alexander Yakovlev, was a full member of the Politburo.

[83] M. Gorbachev, "Politicheskiy doklad tsentral'nogo komiteta KPSS XXVII s"ezda kommunisticheskoy partii Sovetskogo Soyuza," *Kommunist*, no.4 (1986), 58–59.

[84] For the first usage of the "hand of imperialism" image, which was the dominant image of the war until February 1986, see L. Brezhnev, "Otvety na voprosy korrespondenta gazety 'Pravda'," *Kommunist*, no. 2 (1980), 13–16.

[85] Shevardnadze described the Soviet invasion of Afghanistan as a violation of "the norms

ccurred because of the political constraints on Gorbachev at that time. Zagladin implied that the bleeding wound was as far as Gorbachev could go in discussing the nature of the war, given the internal power balance.

Shevardnadze writes in his book, *The Future Belongs to Freedom*, that Gorbachev and the reformers literally could not get the withdrawal on the political agenda. Early drafts of the Congress's Political Report mentioned the "need to withdraw our forces from Afghanistan." Shevardnadze queries, "Why had it disappeared? At whose insistence?" His implicit answer supports the argument that political conditions prohibited reformers from publicly addressing this controversial issue at that time.[86]

In summary, although Gorbachev, his policy cohort, and many in the epistemic community were in favor of ending the war, they considered it politically impossible to begin doing so in 1985 or 1986. In order to carry out the withdrawal—and indeed perestroika and other aspects of new thinking—Gorbachev built up his political base using traditional and nontraditional Soviet institutions. By 1987, with this mostly accomplished, a serious review of the war in Afghanistan became possible and even necessary, given the domestic platform. Below, I detail this review of the war policy and evaluate the influence of the specialists in the process.

Withdrawal on the Agenda, 1987–88

Through 1987, Gorbachev and his circle grew more outspoken in their analyses of domestic problems. In the speeches and writings of Gorbachev and the specialist advisers, the crisis in society was no longer linked only to the stagnation of the 1970s but also to the entire administrative command system imposed by Stalin. According to Gorbachev, the administrative command system had affected not only the economy but all aspects of civil society. It had given rise to the attitude that, in theory, property belonged to the state and all its workers, but, in reality, it belonged to no one. This outspokenness influenced the political environment in which foreign policy decisions were made, making reformist thinking about foreign policy particularly salient.

In February of 1987, before two different audiences, Gorbachev extended his critique of the policy process to foreign policy, indicating how the needs and interests of domestic politics influenced Soviet foreign pol-

of proper behavior." As Bill Keller noted in the *New York Times*, Shevardnadze's characterization of the Soviet's role in the war as "illegal and immoral was the harshest yet uttered by a top official." *New York Times*, October 24, 1989, pp. 1, 14. For the speech, see FBIS-SOV, October 24, 1989.

[86] Eduard Shevardnadze, *The Future Belongs to Freedom* (New York: Free Press, 1991), 47.

icy. At the "Peace Forum," in front of cultural and intellectual fig from around the world, he noted the dependence of foreign policy on domestic policy: "*Before my people, before you and before the whole world, I frankly say that our international policy is, more than ever before, determined by domestic policy, by our interests in concentrating on constructive work to improve our country.*"[87] Gorbachev and the new thinkers were reframing concepts of national security to fit domestic imperatives.[88]

A few days later, at a meeting of trade union leaders, Gorbachev linked the disintegration of détente to Soviet internal decline. Moreover, he provided a glimpse of the evolutionary process behind perestroika supporting the notion of a vital period of power consolidation. He claimed that the January 1987 plenum had been postponed three times because the policymakers needed to work out certain precepts of perestroika and determine what personnel changes needed to be made in order to enact the transformation. "We had to deepen the analysis of the situation that preceded the April (1985) plenary session of the Central Committee. . . ." The period from the April plenary session through January 1987 was a time of "working out concepts of social and economic development."[89]

Policy on the war followed a slightly different pattern. The war in Afghanistan had intensified while Gorbachev consolidated his power. By the summer of 1986, ground troops had peaked at 130,000.[90] In August of that year, Stingers and Blowpipes had reached the mujahideen, but they did not make an impact until the spring of 1987.[91] Before that time, by early 1987, once Gorbachev was in a more solid position politically, there were discernible changes in policy that reflected a thorough review going on in private.[92]

Officially, the characterization of the war in Afghanistan did not change. The opposition was still referred to as *dushmany*, or bandits. The

[87] *Pravda*, February 17, 1987, CDSP 39, no. 7 (1987), 11.

[88] Stephen M. Meyer, implicitly criticizing cognitive learning approaches, goes so far as to state that, when looked at in terms of economic revitalization, "Gorbachev's agitation for new political thinking on security is more a product of instrumental necessity than of military-strategic enlightenment." Meyer, "The Sources and Prospects of Gorbachev's New Political Thinking on Security," *International Security* 13 (Fall 1988), 129.

[89] *Pravda*, February 26, 1987, in CDSP 39, no.8 (1987), 14.

[90] Borovik (fn. 73).

[91] Roy (fn. 26), 23, 34, 36.

[92] For example, the policy of "national reconciliation" was introduced in mid-January 1987, following the trip of Mohammad Najibullah (head of the Peoples' Democratic Party of Afghanistan) to Moscow in mid-December 1986. Under pressure from the Soviets, Najibullah agreed in principle to begin talks on sharing power with opposition forces. National reconciliation served the purpose of portraying the Kabul government as capable of handling the opposition without Soviet help and thus laying the groundwork for troop withdrawal.

spokesmen continued to call for a cessation of outside interfer-[93] Few details about the war were released, and restrictions on the continued to be stringent. Behind the scenes, however, a rethinking e war was under way. The turning point in the withdrawal process, rding to knowledgeable Soviets, appeared to come in late 1986 and y 1987, during a thorough review of policy.[94] In other words, what d been a *desire* to withdraw emerged as a *decision in principle* to with-aw as it was placed on the political agenda. The number of consulta-ons increased dramatically at that time, as did diplomatic efforts aimed ending the war.

Consultative activity of foreign policy institute specialists had been radually increasing since fall 1985, when the first Geneva summit rompted, in Kremenyuk's words, a "general mobilization." Specialists vere used widely in summit preparations, and they had a much "louder" ce in consultations.[95] In addition, the quality of the reports they pro-ed had improved, with advisers giving more critical appraisals of pol-Kremenyuk claims this change was a result of Gorbachev's leader-p style.

> Ie likes to set up competing explanations and hear them out. Gorbachev kes different proposals while Brezhnev and even Andropov wanted to ear only their style, their points of view reiterated. They wanted fully onsistent proposals. Gorbachev likes to be able to compare. When people ealized this, then there was a switch. People wrote much more open and ritical assessments of matters.[96]

n addition to encouraging input from foreign policy *institutchiki*, bachev maintained regular contact with members of the specialist work including domestic specialists, writers, and various party advis-[97] These meetings usually lasted several hours and often preceded or policy shifts. Valerii Sidorov, an aide to Yakovlev and Primakov, orted that he was present at "every meeting with the intelligentsia. It

See, for example, *Pravda*, statement by Ministry of Foreign Affairs (MFA) spokesman, ch 25, 1987, in CDSP 39, no. 12 (1987), 10, and *Pravda*, statement by MFA spokesman, July 87, in CDSP 39, no. 26 (1987), 14.

Akhromeev (fn. 65); Arbatov (fn. 27); Borovik (fn. 73); Zagladin (fn. 54); Sidorov (fn. and author's interview, Nodari Simoniya (Third World specialist and deputy director, o), Moscow, October 18, 1990.

Kremenyuk (fn. 51). Zagladin (fn. 54) corroborated this statement, noting that the lead-p paid much more attention to *zapiski* after 1985.

Kremenyuk (fn. 51). One specific result of this new approach was that one senior scholar KAN provided a frank appraisal of Soviet-U.S. policy that, according to sources, proved important in redirecting Soviet policy toward the U.S.; it represented the kind of in-tive thinking Gorbachev wanted.

For example, see the write-up of the meeting in *Pravda*, February 14, 1987.

is always a two-sided conversation. And Gorbachev tends to [...] more."[98]

*An example of specialist influence particularly relevant to the wa[r in] Afghanistan came in the changed policy toward the Third Worl[d in] general. Optimistic official reports of the revolutionary process in [the] Third World had been replaced, since the Twenty-seventh Party Co[n]gress, by much more restrained and somber evaluations. This shift fro[m] optimistic to pragmatic assessments came after nearly two decades [of] scholarly articles, reports, and conferences among Third World speciali*sts at IMEMO and the Oriental Institute (hereafter IVAN) debating th[e] merits of Soviet policy toward countries of "socialist orientation."[99]

In 1987 and 1988, the implications of the specialists' analyses were actively applied to Afghanistan. Local conditions, specifically indigenous resistance, were acknowledged to be important factors in the war.[100] The Americans may have fueled the war, but they were no longer classified as the source of the conflict. Once this occurred, the bipolar context of the conflict disappeared, along with concern about the Soviet reputation for strategic resolve. In this way, the change in image of the war facilitated the withdrawal process.

Don Oberdorfer, veteran correspondent for the *Washington Post*, has written that "1985 was a year of testing and temporizing about Afghanistan, 1986 a year of showdown on the battlefield and 1987 the year of decision to withdraw. By no later than July of [that] year the die was cast. . . ." Oberdorfer argues the decision was made between April and July of 1987.[101] Much information suggests this statement is accurate, but that it should be understood in terms of the political leadership's ability to work actively toward withdrawal rather than a sudden realization that withdrawal was necessary.

[98] Sidorov (fn. 54). For a discussion of how Gorbachev ran meetings with the Central Committee that is in sharp contrast with Sidorov's description of meetings with the press, intelligentsia, and specialist network, see Boris Yeltsin, *Against the Grain* (New York: Summit, 1990), 143–45.

[99] For examples of pre-glasnost work critical of Soviet–Third World policy, see Georgi Mirskii "Menyayushchiysya oblik 'tret'ego mira,' " *Kommunist*, no. 2 (1976), 106–15; Evgenii Primakov, "Nekotorye problemy razvivayushchikhsya stran," *Kommunist*, no. 11 (1978), 81-91. For a discussion, see Valkenier (fn. 42); and Hough (fn. 42).

[100] See, for example, Gorbachev's comments on regional conflicts when he announces the withdrawal. Compare the usage of the bleeding wound metaphor he used at the Twenty-seventh Party Congress with the usage during the announcement in which he said bleeding wounds were "capable of causing spots of gangrene on the body of mankind" (*Pravda*, February 9, 1988). The shift from active to passive voice is representative of a change in the climate of ideas. In 1986, the imperialists caused the pain, whereas in 1988, the action and not the actor is emphasized.

[101] Oberdorfer (fn. 6). See also Oberdorfer, *The Turn: From the Cold War to a New Era* (New York: Poseidon Press, 1991).

ports from people in Moscow such as Sidorov, who worked for ovlev at the time, claim that the decision to withdraw was reached 987. Yuri Gankovskii, perhaps the preeminent Afghan specialist in sia, also claims that the political decision to withdraw was taken in spring of 1987 and that it was a unilateral move with no connection he Geneva accord process aimed at negotiating a settlement to the .[102]

ccording to Nodari Simoniya, deputy director at IMEMO, consultaons between government officials and Third World specialists inreased dramatically in 1986 and 1987. Scholars had frequent contact with people in the leadership, particularly with Karen Brutents, first deputy director of the Central Committee's International Department; Zagladin; and Anatolii Chernyaev, a former close aide to Gorbachev. Simoniya claims that ideas were quickly transmitted to the top. Another channel for the diffusion of ideas between the scholars and the top leadership came through Primakov and Yakovlev, both former directors of IMEMO. According to Simoniya, Yakovlev "knows all the people to ask about certain issues. Primakov, he knows us all. They can find a person quickly who has the information that they need."[103]

In addition to the testimony of journalists and scholars, reports suggest that Gorbachev told Mohammad Najibullah, the head of the Peoples' Democratic Party of Afghanistan, on July 21, 1987, that the troops would be withdrawn.[104] By December 1987, at the Washington summit, Gorbachev stated publicly that the political decision to withdraw had been reached.[105] On February 9, 1988, he announced the impending withdrawal of troops from Afghanistan. In April, the Geneva accord was signed, legislating the decision to withdraw.

If the decision to withdraw had been considered in 1983, why did it take until 1989 for the troops to come home? As with the U.S. in Vietnam, the leadership waited until domestic pressure grew to such a degree that there was no alternative. Unlike the American case, however, domestic pressure to end the war in Afghanistan did not come from below, from demonstrations in the streets or from voter discontent. Domestic pressure for ending the Soviet war in Afghanistan came from above,

[102] Yuri Gankovskii, "A Soviet View of Afghanistan," *At the Harriman Institute* 1 (April 9, 1988). For a first-hand account of the Geneva process that corroborates Gankovskii's statement, see Riaz M. Khan, *Untying the Afghan Knot: Negotiating the Soviet Withdrawal* Durham, N.C.: Duke University Press, 1991).

[103] Simoniya (fn. 94); corroborated by author's interview with Yuri Gankovskii (Afghan specialist, IVAN), Moscow, November 5, 1990.

[104] *New York Times*, July 22, 1987.

[105] *Pravda*, December 12, 1987, pp. 3–4.

from progressive elements in the Gorbachev coalition and from th understanding of economic and social realities. The coalition, with t help of policy entrepreneurs, was able to force onto the agenda such p icy issues as the withdrawal from Afghanistan.[106]

The programs of glasnost, perestroika, and new thinking put togeth by the leadership and the epistemic community in Moscow could n fully develop as long as the Soviets had troops in Afghanistan. Unt 1988, glasnost meant openness in the press largely concerning domest issues. Foreign policy and the war in Afghanistan were not subject t robust criticism in the popular print press until after the announcement of withdrawal in February 1988.[107] Even then, writers and editors had to submit their material to a government censor; one still needed to get a "visa" or official permission to publish stories on the war.[108]

Real perestroika and progress toward a market economy were impossible as long as Soviet troops were in Afghanistan. No foreign investment, aid, or credits would flow until the troops were home. Some observers in Moscow believed that an evolution toward a more democratic state and a healthier economy with a decentralized decision-making structure in domestic and foreign policy could not occur while the military-industrial complex maintained significant control. Ending the war was one of several policies that, if not aimed at, certainly implied a challenge to this institution.

Moreover, according to several sources, after the summit at Reykjavik, Gorbachev and his advisers came to the conclusion that the United States would not entertain seriously the idea of new political thinking until a Soviet withdrawal from Afghanistan was complete.[109] Because the Sovi-

[106] For a discussion of policy entrepreneurs and opening policy windows, see John W. Kingdon, *Agendas, Alternatives and Public Policies* (Boston: Little, Brown, 1984). See also the discussion in Matthew Evangelista, "Source of Moderation in Soviet Security Policy," in Philip Tetlock et al., eds., *Behavior, Society and Nuclear War* (Oxford: Oxford University Press, 1991), 2:275–77.

[107] For a discussion of coverage of the war in the popular print press in the years 1980–87, see Sarah E. Mendelson, "Change and Continuity in Soviet Explanations of Resistance in Afghanistan: The Hand Uncovers the Wound" (Paper presented at the Rand Corporation, Santa Monica, Calif., April 1988). It should be noted that the Soviet press was not monolithic in its approach to the war. On the one hand, articles criticizing aspects of the war did appear in the military press prior to the announcement of withdrawal. For a discussion, see Porter (fn. 74). On the other hand, in the scholarly journals there was no discussion of the war in direct, critical terms until after the withdrawal was completed. Television coverage of the war changed substantially in 1987 (more corespondents, more stories); but, unlike the print press, television was never as critical and was always more closely monitored through 1990. Yakovlev (fn. 6) states that the use of glasnost on the war was part of a reformist plan to mobilize the public for the withdrawal. On Soviet televison coverage of the war, see Laura Roselle Helvey, "Political Communication and Policy Legitimacy: Leadership, TV and Withdrawal from War" (Ph.D. diss., Stanford University, 1993).

[108] Korotich (fn. 59); Borovik (fn. 73).

[109] Akhromeev (fn. 65), who accompanied Gorbachev to the summit as the senior Soviet arms control negotiator; Zagladin (fn. 54).

ded a low-cost foreign policy coupled with integration into world ts to bolster domestic reforms, pressures for the withdrawal from nistan mounted.

NG IN AND GETTING OUT

e compares the Soviet decision to intervene in Afghanistan with the sion to withdraw, one finds important differences but also a few simities. The decision to intervene is described by all accounts as highly tralized, involving four people: Brezhnev, Gromyko, Ustinov, and dropov. The decision was announced, the policy implemented, and public informed.[110] This pattern was to a certain extent repeated with e decision to withdraw. According to high-ranking party officials, the ltimate "push" to withdraw came from above.[111] The decision to withraw seems in the end also to have been taken by a small group of men: orbachev, Yakovlev, and Shevardnadze.

The main difference in how the decisions to intervene and to withraw were reached lies in the fact that, in the case of the withdrawal, reign and domestic policy specialists had been discussing the war with e top leadership for several years. These specialists were continuously nsulted on this topic. Indeed, Akhromeev, in stating that the push me from above, also noted that a much larger group of specialists was nsulted on the decision to withdraw than on the decision to interne.[112] I would argue that this point was consistent with Gorbachev's adership style and the active role the epistemic community was asgned and indeed played in the late 1980s. The use of these specialists in licy-making was an attempt at opening up the foreign policy decisionaking process. Specifically, by going outside the usual channels (KGB, ilitary, Ministry of Foreign Affairs), Gorbachev was attempting to uild a more active and critical governmental base.

E ROLE OF THE EPISTEMIC COMMUNITY IN THE WITHDRAWAL

efore analyzing the nature of the epistemic community's influence, I ust emphasize the differences in the layers of the community. The top helon of specialists had private and frequent contact with Gorbachev mself. Among these specialists were Yakovlev and Primakov and at her times Aganbegyan, Shatalin, and Korotich. These people and oth-

110 For an account, see Raymond L. Garthoff, *Detente and Confrontation* (Washington, C.: Brookings Institution, 1985), 887–965; Belyaev and Gromyko, (fn. 6); Borovik (fn. 75), 10. Confirmed in author's interview, Igor Belyaev (foreign affairs editor, *Literaturnaya eta*), October 23 and 24, 1990; Bogomolov (fn. 69); Zagladin (fn. 54); and Arbatov (fn. 27).

111 Akhromeev (fn. 65); Brutents (fn. 78); Sidorov (fn. 54). See also Yakovlev (fn. 6).

112 Akhromeev (fn. 65). Brutents (fn. 78) corroborated this claim, stating that scholars were portant in the decision to withdraw.

sources in order to place controversial ideas on the policy agenda and to empower the community.

The need for domestic reform dramatically affected the Soviet political agenda. This occurred through the mobilization of new constituencies and the change in influence within and among both traditional and nontraditional institutions. In this essay, I focused on the successful mobilization of an epistemic community and its influence on policy, as well as on patterns of the leadership's power consolidation. I argued that the timing of this mobilization and power consolidation points to the importance of domestic politics in explaining the Soviet decision to withdraw from Afghanistan.

Would we find similar conditions under which ideas are implemented and epistemic communities are influential in other cases? To get a sense of the extent to which politics, learning, and the international system each determine states' behavior, case selection should ideally include states with different domestic structures that exist over time in varied conditions in the international system. The requirements of telling the Soviet-Afghan story *and* "testing" the politics/learning explanation against a large number of cases are beyond the scope of this essay. In any case, the more general question aside, there is no doubt that an understanding of Soviet cases from the late 1980s, including the one discussed here and the Soviet withdrawal from Eastern Europe, will dramatically affect our interpretation of how the cold war ended.

WHY INNOVATE?
Founding the Bank for International Settlements

By BETH A. SIMMONS*

THEORIES of the development, maintenance, and adaptation of international institutions have been at the center of scholarship in international political economy in the past decade. Functionalist logic, often based on game-theoretic representations of strategic state behavior, has been especially influential in explaining the demand for international institutions. These theories point to the role of international institutions in infusing international relations with a greater degree of certainty, to the general longer-term benefit of cooperating nations.[1] This article draws on a distinct but parallel development in the economic literature on international finance: dynamic contracting and rational expectations approaches to capital market suboptimality.[2] Like functional theories of international cooperation, this approach focuses on the dynamics that lead to inefficient outcomes and provides a theoretical rationale for the

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[1] Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984); idem, "The Demand for International Regimes," in Stephen Krasner, ed., *International Regimes* (Ithaca, N.Y.: Cornell University Press, 1983).

[2] For an excellent review of this literature, see Vincent Crawford, "International Lending, Long-term Credit Relationships, and Dynamic Contracting Theory," Princeton Studies in International Finance, no. 59 (Princeton: International Finance Section, Princeton University, 1987). For a review of functional theories of international regimes, see Stephan Haggard and Beth A. Simmons, "Theories of International Regimes," *International Organization* 41 (Summer 1987), 506–9.

development of international institutions to overcome these inefficiencies. When applied in the context of the policy preferences of the key actors (the governments of the major powers, their central bankers, and the dominant international bankers of the day), this approach makes it possible to explain not only the impetus for international financial cooperation, but also why this effort converged on an international financial institution such as the Bank for International Settlements.

This article applies some of the insights of the dynamic contracting literature to a historical case of institutional innovation in the area of international debt and finance: how it was that the BIS, the world's first multilateral banking institution, could be established during one of the most nationalistic periods in diplomatic history. The major insight of that literature is that international institutions may be explained as a function of the benefits that both lenders and borrowers expect to gain from smoother and more efficient capital market operation. By contrast, the creation of the first "world bank" (as some referred to the BIS) is not easily understood in terms of the traditional theories of international relations. Realist theories, with their emphasis on state competition, do not easily explain why the major powers agreed to a cooperative intergovernmental banking institution that was proposed, designed, and backed by financiers and central bankers and *not* by statesmen. Realists would find it especially difficult to explain why states would involve private actors in negotiations as fundamental to power relations as the reparations issue. They would also likely predict a solution much more like France's Ruhr policy than the multilateral banking institution that actually emerged.[3]

Theories of hegemonic stability that link the provision of international public goods (for example, policies or organizational structures that contribute to a stable international economic environment) with the interests of a major power might make either of two predictions, neither of which would be correct. On the one hand, if the analyst were to judge the United States to be the dominant power (not unreasonable, since that country emerged from World War I as the major international creditor country), one would expect the American government to have championed the new bank, as it did the International Monetary Fund in the 1940s. Yet the United States retreated into isolation and refused to endorse or allow American officials to participate in the BIS. On the other hand, if the analyst views the interwar years as an interregnum marked by British decline and nascent (but incomplete) American ascendance, then hegemonic stability theory could barely account for the establish-

[3] This was a coercive strategy to force German debt repayment through military occupation of the Ruhr valley in the early 1920s.

nent of the bank at all. Finally, functional theories of international re- ;imes, which stress the creation of cooperative arrangements as the result ıf their anticipated benefits, point in a fruitful direction but might lead ıne to expect much more innovation than in fact occurred.[4] Theories of lynamic contracting, given the array of actors' interests prevailing at the ime, not only explain the impulse to innovate in 1929 but also illuminate vhy the BIS assumed an unusual Janus-faced character: statutes that omprised both banking functions and reparations functions; central ıank membership with private management; a nonpolitical facade with n explicit trust agreement to act as agent for the creditor governments.

The interwar years lend themselves to a study of how international nstitutions get started. These years saw important market disturbances hat lead one to expect a heightened demand for new international insti- utions. But unlike the period immediately following the Second World Var, the interwar years are the more general case of a fairly pluralistic nternational system. Hence, some of the conclusions drawn from the nterwar years may be more generalizable for institutional formation han those drawn from the special post-1945 case. Furthermore, the ›roblems and solutions encountered in trying to fashion a viable inter- ıational economic modus vivendi in the 1920s and 1930s informed the rchitects of the Bretton Woods system. To understand the impetus for he International Monetary Fund and the World Bank, it is useful to ınderstand their political and institutional lineage.[5]

[4] Despite several instances of a "perceived need" to cooperate in international economic ffairs, the interwar years generally offered few innovations in international economic orga- ızation. See S. V. O. Clarke, "The Reconstruction of the International Monetary System: he Attempts of 1922 and 1933," Princeton Studies in International Finance, no. 33 (Prince- ›n: International Finance Section, Princeton University, 1973), 3; and idem, *Central Bank ooperation, 1924–31* (New York: Federal Reserve Bank of New York, 1967).

[5] See Jeffry Frieden, *Banking on the World: The Politics of American International Finance* New York: Harper and Row, 1987), 63–64. For the IMF comparison, see Richard Gardner, *terling-Dollar Diplomacy in Current Perspective* (New York: Columbia University Press, 980), 110–44. One of the few international organizations to survive the Second World War, ıe bank is now estimated to hold between 10 and 15 percent of global monetary reserves on ehalf of its member central banks, from which it provides short-term bridge loans to a ıember whose currency is under severe pressure. It has cooperated closely with the Inter- ational Monetary Fund since 1978 by accepting special drawing rights deposits, and twice ı the 1980s it granted credit facilities to the IMF. The BIS has also been instrumental in ›ordinating financial regulations, particularly capital adequacy requirements, within the ıarkets of its members. See Ethan B. Kapstein, "Resolving the Regulators' Dilemma: Inter- ational Coordination of Banking Regulations," *International Organization* 43 (Spring 1989); ale D. Murphy, "Regulatory Convergence in International Banking: Capital Adequacy tandards" (Manuscript, MIT Department of Political Science, 1991). Its membership has ways encompassed all the central banks of Europe, except those of Albania and the USSR, nd for this reason it is viewed by some as well positioned to facilitate the integration of astern Europe into the international monetary system. See Mario Giovanoli, "The Role of ıe Bank for International Settlements in International Monetary Cooperation and Its Tasks elating to the European Currency Unit," *International Lawyer* 23 (Winter 1989). Informa- on on the bank's activities can be found in its *Annual Report*.

Little has been written about the *origins* of the BIS, however, and the work that has been done is largely historical rather than theoretical.[6] One reason may be that the bank failed in its original mission: in the face of the Great Depression it was unable to calm the currency and capital markets and ensure the collection of debts and reparations from Germany. Nevertheless, the neglect of one of the most innovative efforts in financial cooperation up to that time is unfortunate, since the bank's founding provides interesting theoretical insights into why and when international institutions are created. The argument of this paper is that the BIS was designed to avert capital market breakdown by enhancing Germany's perceived commitment to meet its international debt obligations. It was part of a bargained arrangement whereby reparations demands were reduced and a new institution created to increase the likelihood that Germany would in fact honor its commitments. The new institution was conceived and designed by private financiers and central bankers: both had a strong interest in capital and currency market stability and fully expected the new international bank to contribute to this end. Despite the animosities and suspicions among the major powers and despite the void in international leadership, these actors persuaded their governments to accept the BIS in hopes of minimizing their financial losses and stabilizing the fragile international monetary system.

The article proceeds as follows. First, I present a dynamic contracting framework for understanding capital market inefficiency and multilateral debt bargaining. Second, I present the evidence that capital markets were nearing collapse in the late 1920s, thus establishing a rationale for institutional innovation. Third, I discuss the reparations problem of the 1920s and show that the BIS was designed to secure German debt payments and thus to help address the problem of extreme market inefficiency. Fourth, I discuss the interests of the major governments and their central bankers and show how these interests informed and constrained the negotiations that led to the formation of the bank. Fifth, I describe the critical role of private financiers in proposing and designing the bank. Finally, I conclude that dynamic contracting theory sheds more light on the formation of the BIS than do traditional, state-centric approaches. It is only by understanding the *array* of interests (of governments, central bankers, and private financiers) in the dynamic bargaining setting that one can understand international financial innovation in a period otherwise marked by diplomatic conflict.

[6] Frank Costigliola, "The Other Side of Isolation: Establishment of the First World Bank, 1929–30," *Journal of American History* 61 (December 1972); Eleanor Lansing Dulles, *The Bank for International Settlements at Work* (New York: MacMillan, 1932).

I. Capital Market Failure, Sovereign Borrowing, and Institutional Innovation

Sovereign international borrowing is potentially problematic for capital market efficiency. The problems of enforcing contracts under anarchy make such loans uniquely difficult to arrange, while information asymmetries between sovereign borrowers and lenders exacerbate the problem of making credible long-term commitments to fulfill obligations. Furthermore, credit markets for sovereign states are usually noncompetitive, so both lenders and borrowers can act strategically. These characteristics of international lending pose potential difficulties for the smooth operation of capital markets.

Dynamic Contracting Approach

These problems have been analyzed extensively in the literature on dynamic contracting. One finds that sovereign borrowers frequently have preferences which are time inconsistent: an agreement that is rational when a loan is being negotiated may not be rational to fulfill after the loan has been extended. For instance, it is rational for borrowers *ex ante* to pledge to use the money to make profitable investments, to follow "responsible" macroeconomic policies, and to repay the loan on time. Once the money has been disbursed, however, these may no longer be optimal policies from the point of view of the borrower.[7] Since creditors anticipate the risk of defection, they may charge higher interest rates, but they are also likely to ration credit by quantity rather than by price.[8] Borrowers will then pay higher rates for a smaller supply of credit than they would have had they been able to make an enforceable, or at least a credible, commitment. Lenders, for their part, will have forgone some profitable investment opportunities. Both parties would have been better off had the borrower been able to guarantee a responsible course of action.

In these models suboptimal lending results from the inability to enforce sovereign debt agreements. Some models have also considered the

[7] Less often discussed is the problem of lenders' time-inconsistent preferences. For lenders, under some assumptions, it may be rational *ex ante* to commit oneself to a credit ceiling so as to impose a limit on the borrower's consumption and reduce the chances of default. *Ex post*, however, a lender may be unwilling (for fear of losing the entire investment) to enforce the limit that would have been optimal were it credible in the first place. See Martin Hellwig, "A Model of Borrowing and Lending with Bankruptcy," *Econometrica* 45 (November 1977).

[8] Note that raising their interest rates to compensate for the heightened risk would actually raise the probability of default. See Richard Cooper and Jeffrey Sachs, "Borrowing Abroad: The Debtor's Perspective," in Gorden W. Smith and John T. Cuddington, eds., *International Debt and the Developing Countries* (Washington D.C.: World Bank, 1985). Credit rationing is often the result in models that incorporate imperfect information and information asymmetries, a problem treated below.

effects of asymmetrical information in which the lender cannot be certain of the true intentions of the borrower. Unenforceability and information asymmetry are considered in turn.

THE DIFFICULTY OF ENFORCING CONTRACTS

The bane of international lending to sovereign states is that these loans are extended under anarchy: authoritative enforcement of obligations or collective decisions is weak or lacking.[9] Even if a state agrees to submit to international arbitration concerning the fulfillment of its contractual obligations, such submission is necessarily voluntary and enforcement of any judgment notoriously problematic. In contrast to the case of a private borrower, there is no generally recognized formal procedure for handling a state's default on international debt.[10] Lenders know that sovereign borrowers have incentives to make promises at the contracting stage that may be rational to break once financing is secured. This makes it difficult to design mutually beneficial contracts.

Lack of external enforcement, though a universal condition, is not a sufficient explanation of market failure. Many loan agreements never

[9] For an excellent review of these difficulties, see Jeffrey Sachs and Daniel Cohen, "LDC Borrowing with Default Risk" (Cambridge: National Bureau of Economic Research Working Paper, no. 925, July 1982).

[10] According to the most generally accepted theories of international law, sovereign external debts are like any other form of international agreement; no special rules or methods of redress apply to state defaults. See J. G. Starke, *Introduction to International Law*, 10th ed (London: Butterworths, 1989), 304 and passim. Nineteenth-century conceptions condoned the use of force to enforce financial obligations. The Palmerston Circular (1848) argued that a state could intervene and even resort to military force on behalf of private bondholders while the Drago Doctrine limited such interventions to cases in which states refused to accept arbitration or submit to an arbitral award. Both of these modes of enforcement are unavailable in a world in which the peaceful resolution of disputes is the prevailing norm. On the other hand, foreign debts of *private borrowers* can be enforced in the courts of the nationality of the borrower, making the problems of contract enforceability much less serious than is the case of sovereign borrowers. The problem goes back at least to the early nineteenth century, when creditor groups tried to organize to improve their chances of collecting sovereign foreign debts. On the Organization of Foreign Bondholders, see Max Winkler, *Foreign Bonds An Autopsy* (Philadelphia: Rowland and Swain, 1933), 153–57; Murray Edelstein, *Overseas Investment in the Age of High Imperialism: The United Kingdom, 1850–1914* (New York: Columbia University Press, 1982), 129; Leland Hamilton Jenks, *The Migration of British Capital to 1875* (New York: Alfred Knopf, 1938), 290. The best overview is given by Herbert Feis, *Europe the World's Banker, 1870–1914* (New Haven: Yale University Press, 1930). The IMF has played a similar role in the postwar world. See Charles Lipson, "The International Organization of Third World Debt," *International Organization* 34 (Autumn 1981); and Sebastian Edwards, "The International Monetary Fund and the Developing Countries: A Critical Evaluation," *Carnegie-Rochester Conference Series on Public Policy* 31 (Autumn 1989). For explicit comparisons of interwar debt and default with the 1980s, see Barry Eichengreen "Resolving Debt Crises: An Historical Perspective," in Sebastian Edwards and Felipe Lorraine, eds., *Debt, Adjustment, and Recovery: Latin America's Prospects for Growth and Development* (Oxford and Cambridge: Blackwell, 1989); and Barry Eichengreen and Richard Portes, "Dealing with Debt: The 1930s and 1980s," in *Dealing with Debt: A World Bank Symposium* (Washington D.C.: World Bank, 1989).

require enforcement because neither party has a better alternative. In that case the mere threat that a default would end the relationship is sufficient to assure compliance. Vincent Crawford has labeled such agreements "internal implicit contracts" and cites the well-known repeated-play Prisoners' Dilemma literature as the theoretical underpinning for this result.[11] The fact that most states honor their borrowing commitments suggests that such contracts are often sufficient.

There are, however, a number of factors that can raise the risk of default and render self-enforcing agreements problematic. Since the immediate benefits of borrowing are typically concentrated in the present while repayment is a lien on the future, nonperformance may be exacerbated by highly polarized or unstable domestic political conditions.[12] Highly polarized political systems may foster inflationary macroeconomic policies, since contending factions may refuse to shoulder increased fiscal burdens and may thereby render the government unable to balance its budget.[13] Under these conditions, internal implicit agreements are not likely to be sufficient to assure compliance.

Theoretically, international institutions could ameliorate the enforcement problem in several ways. They might be given explicit authority to punish, although it is difficult to imagine an international financial institution with this degree of supranational authority. An international institution could hold some form of collateral that the borrower would forfeit in the event of default.[14] Just what might constitute meaningful collateral for a sovereign loan, however, remains problematic.

International institutions are much more likely to have an indirect impact on enforcement. They are useful in designing "external implicit

[11] Crawford (fn. 2), 5–6. Another form of implicit contract is that of "pure reputation" modeled by Jeremy Bulow and Kenneth Rogoff, "Sovereign Debt: Is to Forgive to Forget?" *American Economic Review* 79 (March 1989), 43–50.

[12] For an example of the theoretical work linking the default decision to political instability, see Joshua Aizenman, "External Debt, Planning Horizon, and Distorted Credit Markets," *Journal of International Money and Finance* 9 (June 1990). Default and political polarization are explored in Alberto Alesina and Guido Tabellini, "External Debt, Capital Flight, and Political Risk," *Journal of International Economics* 27 (November 1989).

[13] Sebastian Edwards and Guido Tabellini, "Political Instability, Political Weakness and Inflation: An Empirical Analysis," *Journal of International Money and Finance* 10, Supplement (March 1991). An institutionally underdeveloped tax system may be another condition associated with debt default. See Homi J. Kharas, "Constrained Optimal Borrowing by LDCs," *Domestic Finance Study*, no. 75 (Washington D.C.: World Bank, 1981); and Menachem Katz, "Government Policy, External Public Indebtedness, and Debt Service" (Washington D.C.: International Monetary Fund, 1982).

[14] The most reasonable forms of collateral to hold—foreign exchange reserves, government or railway bonds, title to property, title to import duties—are usually worth only a fraction of what an indebted government might owe. They are moreover worthless if the defaulting government does not wish to honor them and if there is no ultimate enforcer of these claims.

contracts," to continue with Crawford's terminology, which rely on actions by third parties to make the penalty for noncompliance more severe. International institutions can, for example, link contract fulfillment with future streams of credit by providing creditors with incentives to participate in a coordinated moratorium in case of repudiation.[15] Then the potential defaulter would have to compare the costs of defaulting with the costs of capital market autarky. International institutions could even be used to coordinate far-reaching economic sanctions, such as seizure of overseas assets, loss of trade credits, or even a trade embargo. Such sanctions would support a larger set of mutually beneficial agreements than would be the case in the absence of the institution.[16]

INFORMATION ASYMMETRY

While all models of dynamic contracting in international capital markets assume the lack of authoritative enforcement, some also incorporate assumptions of imperfect information. Often this assumption takes the form of information asymmetry in which the borrower is assumed to know more than the lender does about his ability and intention to live up to the terms of the loan agreement.

Although one might think that having private information would advantage a borrower in a loan negotiation, the situation is the opposite: in dynamic, forward-looking models, the asymmetry actually makes it harder for a borrower to establish its credibility. Lenders know that in

[15] In the absence of institutional arrangements among themselves, creditors can find it difficult to coordinate their reactions to default. While it may be preferable for all to attempt to punish a borrower's defection by withholding future credit, individual firms may find it profitable to make separate deals to defect from the group effort to impose sanctions. But most importantly, under conditions of anarchy, creditors face tremendous uncertainty regarding the resolution of a sovereign state's payment moratorium. To the extent that creditors anticipate collective action problems among themselves, this may contribute further to suboptimal market behavior. See Charles Lipson, "Bankers Dilemmas: Private Cooperation in Rescheduling Sovereign Debts," *World Politics* 38 (October 1985). However, recent theoretical work by Jeremy Bulow and Kenneth Rogoff (fn. 11) suggests that "punishing" by a generalized credit moratorium is not sufficient to ensure compliance. In their model, "small" countries (defined as those that cannot affect world prices and interest rates) are simply not able to establish their reputations, because they will be better off if they default and use the savings to conduct future business by paying cash in advance. They conclude that a "pure reputational model," in which the only punishment is an end to foreign borrowing, provides insufficient incentives for compliance.

[16] There is disagreement in the empirical literature concerning LDCs as to whether or not a country's "reputation" actually lessens its future access to credit. See Bulow and Rogoff (fn. 11). Empirical work by Peter Lindert appears to confirm the weak role that reputation has played in international finance in the twentieth century. See Lindert, "Response to Debt Crisis: What Is Different about the 1980s?" in Barry Eichengreen and Peter Lindert, eds., *The International Debt Crisis in Historical Perspective* (Cambridge: MIT Press, 1989); Peter H. Lindert and Peter J. Morton, "How Sovereign Debt Has Worked," in Jeffrey D. Sachs, ed., *Developing Country Debt and Country Performance* (Chicago: National Bureau of Economic Research, 1989).

order to secure the best possible terms, sovereign borrowers have strong incentives to misrepresent their intended behavior regarding future borrowing, investment versus consumption, and macroeconomic policies (once again, the problem of time inconsistency). Therefore sophisticated lenders build into their loan offers protection against the possibility that the borrower is abusing his privileged informational position. They try to protect their interests in the face of imperfect information by rationing credit[17] and by shortening loan maturities so as to gather better information on the borrower's true intentions and abilities.[18] But shorter maturities are more costly to both lenders and borrowers because of the high transaction costs of frequent rollover negotiations and the element of uncertainty they inject into financial planning. Once again, both parties would be better off with access to unbiased information.

Both lenders and borrowers have excellent theoretical reasons to try to overcome informational asymmetries through institutional innovation. International institutions may provide credible information on political and economic conditions within the borrowing country that no individual lender, given its limited resources, could afford to gather. This information can be used to establish the appropriateness of the volume of investment given its contemplated uses and the macroeconomic setting into which it will be injected. Quality information is a collective good, and to the extent that it is perceived as accurate, it will assist borrowers to make believable promises.[19]

There is a second reason both lenders and borrowers should have an interest in institutions that provide high-quality information: to establish the nature of any impending default, whether due to outright repudiation, temporary illiquidity, or genuine insolvency. As Jeffrey Sachs has pointed out, it might be appropriate to punish repudiation, but it makes much more sense to finance a temporary period of illiquidity and to forgive a portion of the debt in cases of insolvency. The problem for creditors is to recognize the difference. Unbiased information on economic conditions makes repudiation more costly than it might be, were it able

[17] See D. Jaffee and T. Russell, "Imperfect Information, Uncertainty, and Credit Rationing," *Quarterly Journal of Economics* 90 (November 1976); J. Stiglitz and A. Weiss, "Credit Rationing in Markets with Imperfect Information," *American Economic Review* 71 (June 1981); D. Gale and M. Hellwig, "Incentive-Compatible Debt Contracts I: The One-Period Problem" (Bonn: DP, 1983); and Jonathan Eaton and Mark Gersovitz, "Debt with Potential Repudiation: Theoretical and Empirical Analysis," *Review of Economic Studies* 48 (April 1981).

[18] Kenneth M. Kletzer, "Asymmetries of Information and LDC Borrowing with Sovereign Risk," *Economic Journal* 94 (June 1984).

[19] At any rate, it can be thought of as a collective good for lenders and for all but the *highest risk* borrowers, who may fare better in a low-information environment. The fact that Germany was reasonably cooperative in agreeing to international supervision indicates that they were probably not in the highest risk category at this time.

to masquerade as a genuine inability to pay. Hence, better information feeds back into the ability to enforce. Without it, creditors will find it difficult to establish debtor culpability and to agree among themselves to sanction. But if a respected and well-informed international institution avers outright repudiation, creditors can more swiftly coordinate their punitive response.

Multilateral Negotiations, Debt Rescheduling, and Institutionalization

So far, we have considered the case in which a debtor is faced with a unified rational creditor and have explored the incentives for each to form an international institution. But the case of the Bank for International Settlements was inextricably tied to the problem of German reparations in the context of Germany's overall debt burden during the 1920s. Since Germany had huge debts to both private lenders and government creditors, and since decisions made to reduce reparations affected the value of outstanding private loans, it is necessary to analyze the debt rescheduling in a multilateral setting that takes into account the interests of the debtor (Germany), officials creditors (France, the United Kingdom, and—indirectly via interallied war debts—the United States), and private lenders (holders and marketers of German bonds). In other words, bargaining can take place between debtor and creditors, *and* between private lenders and creditor governments, constrained by their taxpayers.

A dynamic bargaining-theoretic model developed by Bulow and Rogoff roughly resembles this situation, although it is designed to analyze the renegotiation of a sovereign's private debt with the possibility of the creditor's government making side payments to facilitate agreement.[20] The basic problem of the model is for creditors and debtors to agree on a new debt schedule. The debtor can threaten default, while the private creditor can threaten punishment by using its domestic legal system to interfere with the debtor's trade, assets, and access to further investment. This model assumes that punishing debtors can be costly to the citizens (taxpayers) of the private lenders' country. Hence, the state can be motivated to make side payments to either the debtor or private creditor, rather than allowing costly sanctions to be implemented.[21]

[20] Jeremy Bulow and Kenneth Rogoff, "Multilateral Negotiations for Rescheduling Developing Country Debt," *International Monetary Fund Staff Papers* 35 (December 1988).

[21] The model is based on symmetrical information, but the effect of relaxing this assumption is that agreement is delayed. Bulow and Rogoff (fn. 20) assume that the creditors' states will not interfere with the domestic legal system to prevent private creditors from sanctioning. Several other assumptions of the model should be pointed out: the debtor is assumed to be a small country in the sense that it cannot influence world interest rates but is sufficiently

In this three-way rescheduling negotiation, each party takes turns making offers on how to divide the benefits of reaching an agreement; in this model, such benefits are equal to the total gains from trade. Two key parameters heavily influence the eventual division. The first is each party's rate of discount, since the more patient player has a greater capacity to threaten credibly to wait and therefore can demand a better offer. The second parameter influences both creditor and debtor governments' willingness to make side payments: the magnitude of the two countries' gains from trade. The higher these gains, the more likely the creditor government will be to make concessions. A final interesting result that flows from the model's rational forward-looking assumptions is that the benefits from unanticipated creditor-country side payments accrue to both lenders and borrowers, while anticipated side payments will accrue to the debtor exclusively. If side payments are anticipated, that is, a competitive financial market will use the side payment to make more loans.[22] Creditors' governments, therefore, have an incentive to try to make a credible commitment *not* to make side payments, but this is difficult to do if their trading relationship with the debtor is extensive.

This model suggests that governments that are most sensitive to the costs of enforcement and whose rate of time discount is the highest are most likely to make side payments to a sovereign debtor during a rescheduling agreement. While the model was created to explain creditor government side payments during private debt negotiations, it can easily be generalized to any case in which governments and private lenders are creditors and in which punishment for default of a sovereign borrower is costly.[23] The model points out that governments are constrained in their ability to threaten punishment because to do so can end up hurting their own citizens who benefit from the trading relationship with the debtor.[24] As sovereign debtors and private creditors contemplate rescheduling, creditor governments with the higher rate of time discount and

large to have some impact on welfare in the creditor country if trade is cut off. The debtor borrows, not to smooth consumption, but because its rate of discount exceeds that of world interest rates. Debtors cannot provide collateral. Both states' utility depends on the consumption of imports, which in turn depends on their ability to export. In case of default creditors can cut off trade until the debt is rescheduled by agreement. A debtor can store its exports, but they tend to depreciate over time. All private creditors are assumed to be a unified entity.

[22] Note that this conclusion depends on the assumption of competitive capital markets, which differs from most of the literature cited above in which capital markets were characterized as oligopolistic.

[23] This is just the special case in which private creditors will not move from their original offer (their debt is not presently being rescheduled) and governments are willing to cut their own demands for repayment as part of a side payment to the debtor to facilitate agreement.

[24] Bulow and Rogoff's model (fn. 20) assumes that side payments can be made up to the value of total trade with the debtor country. This assumption would need to be relaxed to reflect accurately the political pressure the creditor governments felt to press for their full reparations during the 1920s. This problem is discussed below.

the more extensive trading links with the debtor should be most amenable to making side payments.

Finally, we must consider the form these side payments or concessions might take. Most obvious is monetary: governments may agree to reduce their own claims on a country (or agree to pay off a portion of the borrower's debt) in order to reach agreement on a reasonable *overall* debt burden. This would cut the burden of debt service (a benefit to the debtor) and enhance the value of the outstanding debt (a benefit to private lenders). But governments could also choose to make *organizational* side payments: they could pay the start-up and ongoing costs for the development of an international institution that would help overcome capital market suboptimalities and better secure their own outstanding loans. Since organization can be costly to provide and is unlikely to be provided by more numerous and decentralized market actors facing difficulties of collective action,[25] creditor governments were in a position to agree (hesitantly, to be sure) to support the collectively beneficial BIS.[26] As I argue below, no single banking institution or consortium was willing to assume such costs in 1929. This conception of the problem helps to explain why reparations negotiations during 1929 involved not only talk of financial concessions on the part of governments but also the proposal (initiated by independent financial experts but eventually accepted by the creditor governments) to establish and fund the Bank for International Settlements.

SUMMARY: DYNAMIC CONTRACTING THEORY AS A FRAMEWORK FOR INTERPRETING THE FORMATION OF THE BIS

The dynamic contracting literature provides a coherent framework for understanding the incentives of Germany and its creditors to create an innovative international financial institution in 1929. The impulse to innovate, these theories suggest, flows from the structural inability of states to make credible commitments under anarchy. Because international institutions can ameliorate (though not solve) enforcement and informational problems, incentives to innovate are greatest when a major debtor's credibility is ebbing and capital markets are beginning to break down. We would therefore expect institutional innovation when there is

[25] Mancur Olson, *The Logic of Collective Action* (Cambridge: Harvard University Press, 1965).

[26] Norman Frohlich, Joe Oppenheimer, and Oran Young term the willingness of any individual to supply a collective good without providing all of the resources himself an exercise of "political leadership" or "political entrepreneurialism." See Frohlich, Oppenheimer, and Young, *Political Leadership and Collective Goods* (Princeton: Princeton University Press, 1971), 6. I avoid this terminology, however, because it connotes a much more active and positive role than the bargained concession suggested here.

evidence of potentially disruptive credit rationing. Dynamic contracting theory suggests that international institutions that coordinate punishment and provide unbiased information can make it more costly for the parties to defect from the loan agreement.

A multilateral bargaining model can also help account for the pattern of concessions or side payments made during debt-rescheduling talks. Because both enforcement and default are costly to the citizens of creditor states, their governments will be willing to make side payments to assure a rescheduling agreement, especially if the benefits from trade with the debtor are significant and the creditor government's rate of time discount is high. I have argued that side payments may include not only debt concessions but also organizational and financial support for international institutions, which can be expected to improve capital market efficiency in the future. This bargaining perspective—incorporating the interests of debtor, private creditors, and creditor governments—addresses the anomaly of international financial institutionalization in the late 1920s, a time of both rampant nationalism throughout Europe and the virtual isolation of the United States government.

II. The Environment for Innovation: Political and Financial Conditions in the Late 1920s

How can we understand the intensified search for improved international financial cooperation in the late 1920s? An international economic and political environment that posed increasingly intolerable risks for both the German government and its major creditors, official and private, provides the answer.[27] The source of the threat was a slowdown in international lending to Germany that began in 1928. For much of the decade Germany had imported massive amounts of capital to finance domestic investment and consumption, but by 1928 liquid capital was subject to the "push" of Germany's domestic political instability *and* the competing "pull" of the booming American stock market and high American interest rates. The result was a severe curtailment of new capital imports to Germany by 1928, which worsened after the Wall Street crash

[27] This was not the first time an international bank had been discussed at high levels. In 1920 the League of Nations Committee on International Credits entertained the idea of an international bank of issue, which eventually evolved into a proposal for a League commission that would supervise and guarantee international loans for countries otherwise unable to obtain them. The former was proposed by Sir George Paish, the British economist, and submitted to the League by Léon Delacroix, the Belgian prime minister. The latter plan was developed by the Dutch banker Ter Muelen. See Barry Eichengreen, *Golden Fetters* (London: Oxford University Press, 1992).

TABLE 1
CAPITAL IMPORTS OF THE THREE MAIN DEBTOR COUNTRIES
(IN MILLIONS OF CURRENT U.S. DOLLARS)

	1924	1925	1926	1927	1928	1929	193
Germany	421	857	151	1,072	1,007	553	148
Australia	220	110	170	257	193	166	187
Argentina	—	—	226	122	181	4	243

SOURCE: League of Nations, Economic Intelligence Unit, *World Economic Survey, 1931–3* (Geneva, 1933), 39–49.

of October 1929.[28] (See Table 1.) Foreign bond flotations in America wer halved from their 1927 levels by 1928–29. Nineteen twenty-eight wa the first year in which long-term investment in Germany began to leve off, accompanied by a downturn in short-term lending (see Figure 1).

From 1927 on investors became increasingly skeptical of making ad ditional loans to Germany. Few were impressed with the purposes t which much of the capital Germany had borrowed had been put, a per ception reinforced by Reichsbank president Hjalmar Schacht's 1927 cri tique of the German "recovery."[29] Nor were investors impressed wit Germany's commitment to service its public debt out of taxation. Only percent of public spending was involved in debt service (the figure fo Britain was nearer one-quarter). Public funds were largely used to en hance the stability of the political system: nearly 60 percent of governmen spending went to social services, as compared with 37 percent before th war. The poststabilization budget surpluses of 1924–25 had eroded and become serious deficits in 1928.[30] In the face of continuing conflict ove taxation, investors were reluctant to make further loans to the Reich.

Markets were increasingly pessimistic about the political stability of the Weimar Republic. Nineteen twenty-eight marked the breakup of a center coalition and an increase in support for the Social Democrats, who still needed coalitional support from an array of increasingly right-wing parties. Government stability was threatened whenever budget debates

[28] Derek H. Aldcroft, *From Versailles to Wall Street, 1919–1929* (London: Allen Lane, 1977), 261–67; James W. Angell, *The Recovery of Germany* (New Haven: Yale University Press, 1929), 190–94.

[29] Schacht, *The Stabilization of the Mark* (London: Allen and Unwin, 1927). See also idem, *The End of Reparations* (New York: Jonathan Cape and Harrison Smith, 1931), 33, where he makes his famous critique of German public spending on "stadiums, swimming pools, public squares," and so forth.

[30] S. Andic and J. Veverka, "The Growth of Government Expenditure in Germany since the Unification," *Finanzarchiv* 23 (1964), 258; A. T. Peacock and J. Wiseman, *The Growth of Expenditures in the United Kingdom* (London: Princeton University Press, 1967), 184. See also Helmut Böhme, *An Introduction to the Social and Economic History of Germany* (Oxford: Basil Blackwell, 1978), 102–13.

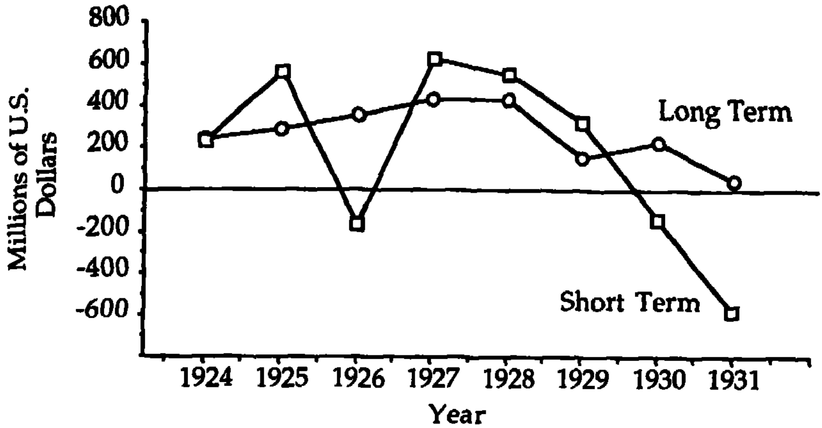


FIGURE 1
GERMANY'S NET CAPITAL MOVEMENTS

exposed the basic social divide of unemployment insurance and increased industrial taxation on the one hand versus spending austerity and tax cuts on the other. In addition, labor disputes took a growing toll on productivity: 20 million working days were lost in 1928 as compared with 6 million in 1927 and 1.3 million in 1926.[31] In short, political conditions in Germany in the late 1920s were far from reassuring for investors: by 1928 deteriorating political conditions were contributing to the perceived risk of default. The market reacted by investing elsewhere, primarily in booming American stocks.[32]

Germany's creditors had high stakes in German solvency. Though estimates for 1929 are not available, some £70 million of British assets were frozen in Germany's general financial collapse two years later.[33] American investors also had a significant stake in Germany. More than 55 percent of all foreign long-term loans to Germany between 1924 and 1931 were extended by U.S. investors, and even as late as 1931—after

[31] For a good account of the complicated coalitional politics involved, see Henry Ashby Turner, *Stresemann and the Politics of the Weimar Republic* (Princeton: Princeton University Press, 1963), 220–62. Industrial and unemployment statistics are from Harold James, *The German Slump: Politics and Economics, 1924–1936* (Oxford: Clarendon Press, 1986), 218. See also Erich Eyck, *A History of the Weimar Republic* (Cambridge: Harvard University Press, 1962), 2:192–95.

[32] The October 1929 crash itself certainly contributed to the desiccation of international capital flows, but as can be seen in the cases of Argentina and Australia, capital imports rebounded in 1930, while for Germany they did not. Note also that short-term capital flows began to drop off in 1928, prior to the crash itself.

[33] This estimate is given by Phillip Snowden, chancellor of the exchequer, cited by W. A. Morton, *British Finance, 1930–1940* (Madison: University of Wisconsin Press, 1943), 31.

American lending had been cut back drastically—fully one-quarter of Germany's short-term debt was owed to Americans.[34]

Theories of capital market failure explain the timing of experts' concerns for a new bargain regarding Germany's external debts, which are described in the following section. The bank's initiation in early 1929 coincided with the curtailment of lending to Germany, and while it is true that much of the reversal in capital flows was undeniably due to relatively more attractive investment options in American stocks (and later, by the stock market crash and depression), Germany's inability to make credible commitments must not be underestimated. These concerns were at the fore as the reparations question was reopened in 1929.

III. Reparations Negotiations: From the Dawes Plan to the Young Plan

Reparations poisoned Germany's political and financial environment for the greater part of the decade. The Reparations Commission determined German reparations in April 1921 to total $33 billion—a figure roughly twice the size of Germany's total economy in 1925.[35] The weight of the reparations burden on its economy had contributed to the German financial disaster in the first half of the 1920s. By September 1923 the inflationary crisis required rethinking the reparations issue, which resulted in the Dawes Plan of 1924. This plan, designed by financial experts and private businesspersons, improved Germany's immediate financial position by scaling back the annual payments, but it did not establish a total figure for Germany's war indemnity. The Dawes Plan included a RM 800 (U.S. $190.5) million bond flotation. As this was much in excess of scheduled German annuities, it encouraged further private lending. As long as foreign capital flowed into Germany, the Dawes Plan worked satisfactorily, and eventually some RM 7.6 (U.S. $1.81) billion were paid out to Germany's creditors under the scheme.

With the gathering depression and the cessation of new lending to Germany in 1928, it was clear that the early postwar reparations figures were ludicrously out of all proportion to Germany's ability to pay. Politically, it was becoming untenable for Germany to be under the direct

[34] *The Problem of International Investment* (London: Royal Institute of International Affairs, 1937), 237–38. For a discussion of the causes of such high American investment levels, see J. Madden, M. Nadler, and H. Sauvain, *America's Experience as a Creditor Nation* (New York: Prentice-Hall, 1937); and the Hearings before the Committee on Finance, *Sales of Foreign Securities*, United States Senate, 72d Cong. (Washington, D.C.: GPO, 1932). By 1935 Germany had defaulted on nearly $887 million of dollar bonds, of which about $532 million was held in the United States.

[35] B. R. Mitchell, *European Historical Statistics, 1750–1975*, 2d rev. ed. (New York: Facts on File, 1981), 819, Table K1.

supervision of the Reparations Commission—the foreign supervisory board that had been set up under the Dawes Plan. Financially, the burden of the yearly payment and the uncertainty of the total claim degraded the value of Germany's private outstanding debts and discouraged further investment.

Between February 1929 and January 1930 a series of expert and diplomatic negotiations were held to reschedule Germany's reparations debt. These negotiations were initiated by central bankers and private actors, who were the first to link problems in the capital market with the need to reorganize Germany's financial obligations. Governor Strong of the New York Fed explicitly mentioned the reversal in capital flows to the American Agent General for Reparations, S. Parker Gilbert,[36] as a hazard to the smooth functioning of the Dawes Plan in the summer of 1928.[37] Montagu Norman, governor of the Bank of England, agreed and wrote in his diary that "*only a crisis*" would encourage international cooperation regarding Germany's debt.[38] After consulting with the major central banks and financial houses, Gilbert urged the creditor governments to convene a committee of experts to reorganize and finalize Germany's reparations debt. The Young Committee[39] (so called after the American chairman, Owen D. Young) met in Paris in February 1929 to hammer out a solution. This was the first of two negotiations among independent financial experts[40] to reschedule Germany's debt, the results of which were submitted for governmental approval at the Hague Conferences in August 1929 and January 1930 (see Table 2).

It was the Young Committee that proposed the creation of a bank to handle Germany's debt. This innovation was meant to help break the

[36] A Treasury officer until 1923, Gilbert quit that post and as a private citizen assumed the job of foreign supervision of the German economy in 1924. He later went on to become a partner in J. P. Morgan and Company, a job he held for most of the 1930s.

[37] Strong wrote to Gilbert that high American interest rates and the reversal in capital flows could "ultimately present a real hazard to Europe and especially to the smooth operation of the Dawes Plan." Benjamin Strong to S. Parker Gilbert, July 14, 1928, quoted in Lester V. Chandler, *Benjamin Strong, Central Banker* (Washington D.C.: Brookings Institution, 1958), 459.

[38] Norman diary, May 14, 1928, Bank of England Archives, London (henceforth BEA/L).

[39] Formally, the Committee of Experts on Reparations.

[40] The second meeting of "experts" took place in Baden-Baden, Germany, in the autumn of 1929 and was known as the Organization Comittee because it hammered out the bank's formal statutes. The degree of actual independence varied from country to country. The stature of the British and the American delegates and the fact that they were indeed private businesspersons assured their independence. There is little doubt, however, that delegates took their country's national interests into consideration. Thomas Lamont described his responsibilities as follows: "In assisting to draft the report, we should naturally have in mind the best interests of the United States, and we will do everything within our power to guide it into channels and into terminology that will be cooperative with American interests. But we must face the fact that when the report is finished, we must sign it if we are satisfied with it as independent experts." Undated [April ? 1929], file 179-6, Lamont Papers, Baker Business Library, Harvard Business School (henceforth LP/HBS).

Table 2
Negotiations and Participants in the Formation of the BIS

	Dawes Plan Negotiations	*Initiation to Reopen Reparations*	*Young Committee Negotiations, Paris*	*First Hague Conference*	*Organization Committee, Baden-Baden*	*Second Hague Conference*
Date	Jan.–Apr. 1924	Autumn 1928	Feb.–May 1929	Aug. 1929	Sept.–Dec. 1929	Jan. 1930
Purpose	scale back and finance Germany's annual reparations payments; stabilize German currency; balance German budget	settle reparations total and design a final schedule; improve chances of collecting German debts and conditions for further lending	propose reparations total and final schedule; improve chances of collecting German debts and conditions for further lending	approve the Young Plan; discuss other territorial issues in Europe	draft the statutes of the BIS	approve the statutes of the BIS
Participants[a]	Charles Dawes[b] (U.S., comm. chair) O. D. Young[g] (U.S.) Sir J. Stamp[l] (U.K.) J. Parmentier[p] (France) Sir R. Kindersley[u] (U.K.)	S. P. Gilbert[c] (in consultation with central banks and major American financial houses)	O. D. Young (U.S., comm. chair) J. P. Morgan[h] (U.S.) T. W. Lamont[m] (U.S. alt.) Sir J. Stamp (U.K.) Lord Revelstoke[v] (U.K.) E. Moreau[x] (France) J. Parmentier (France) H. Schacht[y] (Germany)	P. Snowden[d] (U.K.) Henderson[f] (U.K.) H. Chéron[i] (France) A. Briand[n] (France) Hilferding[q] (Germany) Stresemann[s] (Germany)	J. E. Reynolds[e] (U.S., comm. chair) Traylor[j] (U.S.) W. T. Layton[o] (U.K.) Sir C. Addis[r] (U.K.) P. Quesnay[t] (France) C. Moret[w] (France) H. Schacht (Germany)	P. Snowden H. Chéron J. Curtius[k] (Germany)
Participants selected by:	governments concerned with reparations	—	governments concerned with reparations[z]	—	governors of central banks	—

official(s)[y]		no	no	yes (finance and foreign ministers)	no	yes (treasuries or economics ministries)
Action taken	Dawes Plan U.S. $190.5 m. bond flotation; more feasible payments schedule; transfer protection under the direction of the Reparations Commission	creditor governments persuaded to renegotiate German reparations	presented plan to cut back further yearly reparations annuities; to found the BIS; and to commercialize the remaining German debt	adopted Young Plan, with slight upward revisions made to the British share; authorized negotiations on BIS statutes	drew up the statutes of the BIS; placed banking functions prior to reparations functions but limited the credit resources available for BIS lending	adopted the statutes of the BIS

[a] For simplicity, only participants from the United States, Britain, France, and Germany are listed. Other participating countries included Italy, Belgium, and Japan.
[b] President (1902–21) and chairman (1921–25), Central Trust Company of Illinois; United States vice president, 1925–29; ambassador to Britain, 1929–30.
[c] Assistant secretary to the Treasury of the U.S., 1920–21; under secretary of the Treasury, 1921–23; agent general for reparations, on location in Germany, 1924–30; partner, J. P. Morgan and Company, 1931–38.
[d] Chancellor of the Exchequer.
[e] President, First National Bank of the City of New York.
[f] Foreign minister.
[g] Businessman and chairman of General Electric.
[h] President of J. P. Morgan, the premier American financial house.
[i] Minister of finance.
[j] President, First National Bank, Chicago.
[k] Minister of economics.
[l] Industrialist (especially railroads) and economic adviser (specialist in taxes and accounting) to the British government.
[m] Partner of J. P. Morgan and Company, 1911–43; reparations expert on the American Commission to Negotiate Peace, 1919.
[n] Foreign minister.
[o] Editor, *Economist*; scholar, director of the National Federation of Iron and Steel Manufacturers.
[p] Director, Mouvement Général des Fonds (Ministry of Finance); resigned in 1923; universally held in high regard for financial technical excellence.
[q] Finance minister.
[r] Private banker, as well as central banking experience at the Bank of England and as a member of the board of the Reichsbank.
[s] Foreign minister.
[t] Ministry of Finance, 1908–28; Banque de France, deputy governor, 1928–30; governor, 1930–35.
[u] Director, Bank of England, 1914–46; governor, Hudson's Bay Company, 1916–25; chairman and managing director, Lazard Brothers and Company.
[v] Senior partner of Baring Brothers (a major British financial house); died halfway through the negotiations and was replaced by Sir Charles Addis.
[w] Banque de France.
[x] Governor of the Banque de France, 1926–30.
[y] Governor of the Reichsbank.
[z] All members had been officially selected, and the Americans acting as private citizens had been cleared by the White House, but only the French delegates seem to have been closely controlled by their governments.

deadlock over reparations, which involved not only *how much* Germany would pay but also the *institutional arrangement* by which payments would be overseen and transferred to Germany's creditors. According to Young, "Not until some cooperative machinery such as the International Bank was set up could there be fair and intelligent talk about [reparations] amounts."[41] These experts were constrained by market reactions to the progress of their negotiations. In early March 1929 J. P. Morgan cabled the New York firm that he was "truly apprehensive" that a breakdown in negotiations could imperil the whole gold standard, a fear expressed by the British experts as well.[42] Even as these experts deliberated, deteriorating capital and currency markets painfully prodded them toward innovation.

The idea of establishing a bank emerged early in the negotiations in a proposal by Hjalmar Schacht. His plan called for pledging German obligations to an international bank and using these obligations as reserves for an international expansion of credit. Schacht's proposal focused squarely on an institution that would bankroll international trade and investment and thereby improve Germany's capacity to pay reparations.[43] It was unanimously opposed by all other participants on the grounds that it was likely to be inflationary.[44]

The experts from the creditor nations were more concerned to develop an international institutional structure to facilitate, rather than finance, payments. One early version called for a commission to be composed of central bank governors, chaired by an impartial expert, to oversee the problem of transferring reparations to creditor govern-

[41] Young, memo to the Committee of Experts, March 27, 1929, 179-8, LP/HBS.

[42] Stamp to Hopkins, April 15, 1929, DPP2.4 Baring Brothers, London (henceforth BB/L), cable, J. P. Morgan to Leffingwell (New York), March 11, 1929, 178-17, LP/HBS. Lamont also expressed concern about the effects of a break in the negotiations on the market. Lamont to New York office, April 19, 1929, 178-20, LP/HBS. So did Governor Harrison of the Federal Reserve Bank of New York, Harrison to Mellon, April 26, 1929, Harrison Papers, Federal Reserve Bank of New York (henceforth FRBNY). From the British side, see Charles Addis (member of the British delegation to the Paris conference), meeting of the General Council of the Reichsbank, March 23, 1929, BB/L; Ray Atherton, chargé d'affaires, American embassy, London, to the secretary of state, April 23, 1929, File 462.00 R 296 2837, State Department Records, National Archives, Washington, D.C. (henceforth NA/W); minutes of the meeting of the British delegation, February 16, 1929, DPP2.4, BB/L.

[43] For Schacht's position on exports, see his speech before the Expert's Committee, June 28, 1929, 180-20, LP/HBS; and Schacht (fn. 29, 1931), 208. Gilbert warned the American delegation that Schacht's strategy was to push the trade functions of the bank in the Organization Committee. July 4, 1929, 180-21, LP/HBS.

[44] See Burgess to Harrison, report of his trip to Europe, 797.3A, BIS, 1929-70, FRBNY. Comments on Schacht's bank plan can be found in a memo: "The BIS," for D. W. Morrow by de Sanchez, [June?] 1929, 180-11, LP/HBS. Memo, Pinsent to Hopkins, March 12, 1929, British Treasury Documents, 1393 F11282/1, Public Records Office, London (henceforth PRO/L).

ments.[45] Envisioning a broader mechanism for monetary cooperation, the British expert Josiah Stamp proposed a compulsory clearing house for central banks, with the power (he did not specify how) "to find some rational means of counteracting the present scramble for gold."[46] These formulations signaled the negotiators' concern with the impact of reparations on exchange rates and the international monetary system, though they also raised questions of the bank's interference with existing central bank operations.[47]

The American bankers were originally thinking along somewhat different lines. They were contemplating the familiar model of a profit-making institution, the proceeds of which would be shared with Germany as an incentive to make payments. A profit-making BIS would guarantee unimpeded American participation.[48] It ran counter to the idea of a nonprofit "bank of central banks," however, and was opposed by both the British, who thought it would compete with London banking interests, and the Federal Reserve Bank of New York.[49]

Young took these ideas as points of departure and assigned a working group composed primarily of persons with extensive central banking experience to draft a proposal during the first week in March.[50] By March 6 a "brand new idea [had] burst upon the horizon":[51] a nonpolitical institution that would liquidate the foreign-controlled reparations machinery, receive and distribute reparations, serve as a trustee for Germany's official creditors, and oversee the problem of commercializing German obligations by selling bonds to private investors. As it emerged in June

[45] Cable, De Sanchez to Morgan and Company, New York, February 25, 1929, 178-17, LP/HBS.

[46] Minutes, meeting of British delegates, March 4, 1929, DPP2.4, BB/L; see also Stamp's address before the Society of Incorporated Auditors and Accountants, July 1929, private ipers of Josiah Stamp, London.

[47] Cable, J. P. Morgan and Company [Leffingwell?] to Morgan and Lamont, March 12, '29, 178-17, LP/HBS.

[48] See Pinsent's diary of Addis's report of the Heads of Delegations Meeting, October 25, '29, T160 386, F11282/03/1; Treasury Documents, PRO/L.

[49] "Notes on the Capital of the Bank," memo, March 13, 1929, 797.3, FRBNY. The New ork bankers were constantly criticized for their profit motive. Memo of an interview tween Snowden and Francqui, written by Leith-Ross, November 14, 1929, T160 386 11282/03/1, Treasury Documents, PRO/L. In any case, Lamont expressed a good deal of epticism that bank profits could be counted on for much. Lamont to Hamilton, May 23, '29, 179-23, LP/HBS.

[50] The group included Walter Stewart (U.K.), economist with the Bank of England; Shepd Morgan (U.S.), who had been working with the agent general's [for reparations] office Berlin; Burgess, Federal Reserve Bank of New York; Pierre Quesnay, and Hjalmar hacht (see Table 1). According to Josiah Stamp, the idea of an external bank emerged from rious subcommittees as a way first of handling the trustee function (take over the role of e Reparations Commission) and then of developing wider credit functions. Stamp to Hopns, March 13, 1929, DPP2.4, BB/L.

[51] Burgess to Harrison, March 6, 1929, 797.3, FRBNY.

1929, the Young Plan[52] *contained the broad outlines of the pı* with the suggestion that it expand credit, enhance central ba ation in monetary affairs, and facilitate payment of German tions debt in a way compatible with the servicing of its massi private lenders.[53] The BIS, holding German railway paper as was to receive and disburse payments on the earlier Dawes l bank was also to decide the timing and volume of German r bonds to be released on to the market.[55] If Germany maintai necessary to postpone payment, the BIS would form an impartia committee to investigate Germany's economic position and re appropriate measures.[56]

The bank itself had no power of enforcement, but the Yc envisioned raising Germany's cost of defection by reorganizin itors.[57] Until the bonds could be sold to investors, the BIS was legal trustee of the creditor governments.[58] Part of its role wc enforce agreements *among* creditors to overcome distributiona

[52] Formally, the Report of the Committee of Experts on Reparations, June 3343.

[53] Report of the Committee of Experts on Reparations, June 1929, Cmd. 33 stated that the bank offered advantages over the current reparations setup, " advantages to both Germany and the Creditor countries, because the Bank in payments on a business basis makes their receipts more certain and facilitates ment."

[54] The collateralized portion of the debt recognized a thirty-seven-year non RM 660 (U.S. $157) million annuity. The German government deposited certific to yearly coupons representing this unconditional obligation, plus an additional increased yearly and could be postponed in an emergency, for a total yearly aver of about RM 2 billion (U.S. $476 million). It was the responsibility of the BIS to coupons as they matured. For the distribution among creditors, see Annex VII c Plan (Cmd. 3343), and Articles III, IV, V, and VI of the Trust Agreement. Had been interrupted, Germany would have made its final World War I reparations March 1987. The exchange rate of 4.2 marks to the dollar (the rate at which G bilized in 1925) is used throughout. This rate was generally in effect from 1925 th League of Nations, *Monthly Bulletin of Statistics* (1931), Table XV.

[55] Shepard Morgan, "Conditions Precedent to the Settlement," *Proceedings of* *Academy of Political Science* 14 (January 1931).

[56] Members of the advisory committee would be nominated by the govern central banks of each of the founding countries: France, Germany, Britain, Bel and Japan, and with one representative of American finance. (American polic Federal Reserve participation.) Four additional members representing various pertise could be added to the advisory committee if desired. If transfer was post many was still obliged to deposit the amount due in reichsmarks with the bank.

[57] Memo, "The Young Plan and Sanctions," December 10, 1929, 667/6, BEA/L.

[58] Cmd. 3484, Misc. no. 4 (1930); Agreements Concluded at the Hague Confe ary 1930, Annex VIII, "Form of the Trust Agreement between the Creditor G and the Bank for International Settlements," Article II, (a)(b) and (c). The allies ever, to make the BIS responsible for debt payments to the United States, a pr would have made Morgan's cooperation impossible. The French, Belgians, and I in favor of making the BIS the agent for paying off debts to America in ful Snowden from Leith-Ross, [late Sept.?] 1929; minutes from the Subcommittee c Agreements, October 23, 1929; T160 386 F11282/03/1, PRO/L.

and free ridership in case of default.[59] The BIS was to enforce nondiscrimination among creditors in case Germany suspended payments.[60] If Germany did not resume payments within two years, the BIS would propose revisions *collectively* for the creditor governments (which would only go into effect with their approval).[61] This agreement reduced the uncertainty of how to proceed in case of default. Meanwhile, the bank was responsible for surveillance and informing the creditor countries about economic and financial conditions in Germany (a clear effort to establish Germany's credibility and economic capacity and to lessen the likelihood that Germany might disingenuously claim it could not make a payment on time).[62]

The BIS would also be crucial in overcoming problems of collective action among *private* lenders. No single firm or consortium was willing to step in and perform the informational role that the Reparations Commission had under the Dawes Plan. In the absence of such information, it would be very difficult for Germany to make credible commitments about investment and macroeconomic policies and repayment intentions. Moreover, as the central agent for bondholders, the BIS would be in a better position than were individual investors to link repayment to future lending through a coordinated moratorium. Finally, though never mentioned explicitly in its statutes, the BIS was in a better position to reward German compliance with favorable access to international trade and to punish defection by coordinating economic sanctions. In all of these ways, this multilateral banking institution had the potential to influence the costs and benefits of cooperation. This innovation, and a recommen-

[59] One example is a sort of escrow account deposited by France with the BIS; the account would compensate Britain and other allies who had accepted smaller shares of the nonpostponable annuity. France had been given a larger share of the nonpostponable portion, in exchange for more moderate overall reparations demands. France then deposited 500 million gold marks ($120 million), to be held in trust by the bank and then split among the creditors to help equalize short-term payments.

[60] Young Plan, Annex III, Art. VII(a). The principle of nondiscrimination among creditors was of primary importance to the British Treasury. Trust Agreement, Revised Draft, July 25, 1929 (Leith-Ross's handwritten note in the margin); Leith-Ross to Waley, October 21, 1929, T160 386 F11282/03/1, PRO/L. The concern about distribution in case of postponement was largely motivated by the need to continue to cover debts to the United States. Memo of a conversation between Addis [?] and Quesnay, October 25, 1929; letter from Leith-Ross to Pinsent, November 1, 1929; note of an interview between Snowden and Francqui, by Leith-Ross, November 14, 1929, T160 386 F11282/03/1; Stamp to Leith-Ross, July 4, 1929, 1393 F11282/1, Treasury Documents, PRO/L.

[61] The French wanted to bar the BIS from making revisions in the payment schedule. The Germans naturally wanted a committee of revision and particularly a committee that would rule that their failures were not due to bad faith. The middle ground (BIS proposals, government ratification) was proposed by the British. Leith-Ross to Pinsent, October 23, 1929.

[62] Article 7 of the Draft Trust Agreement between Britain and the BIS: July 11 and July 25, 1929, T160 386 F11282/03/1; PRO/L.

dation that Germany's yearly reparations payments be slashed by more than one-quarter, was submitted to the creditor governments for their approval at the Hague.

IV. Interests in Innovation: The Position of the Major Powers

What interest did Germany's official creditors have in reducing reparations and accepting the proposed BIS? Publicly, the various governments were most concerned with securing the maximum feasible reparations income, since they counted heavily on German payments to balance their own budgets and repay the United States.[63] Moderating their reparations demands was politically and fiscally costly for Germany's official creditors, and each had made efforts to resist significant concessions prior to the opening of the Paris Conference in February 1929. The French prime minister Raymond Poincaré promised his people that reparations would cover France's debts to England and the United States, as well as a net indemnity for war damages, and he pushed for annuities twice as high as those that Schacht claimed Germany was able to pay.[64] Britain, the most reluctant of the creditor governments to reopen the reparations issue, had announced that it would press for reparations payments to cover its liability to the United States.[65] Both the Coolidge administration and the incoming Hoover administration, which assumed office in March 1929, steadfastly refused to discuss allied war debts or to express any opinion on Germany's total indebtedness.[66]

Once the reparations issue was reopened, however, governments had to make a new set of calculations based on the speculative pressures ignited

[63] Interallied debts totaled a staggering $26 billion, mostly owed to the United States and the United Kingdom, and involved some twenty-eight countries. The director of the Economic and Financial Organization of the League of Nations, Sir Arthur Salter, wrote in his memoirs that "the history of the years between the wars could be largely written in terms of the problems of reparations." Salter, *Memoirs of a Public Servant* (London: Faber and Faber, 1961), 154.

[64] Poincaré's speech at Caen, reported in *Le Temps*, October 28, 1928; *Le Matin*, November 6, 1928; and *Journal Officiel*, November 16, 1928, p. 2549. See also Paris embassy to Kellogg, November 13, 1928, 462 R 296: 2465. Poole to Kellogg, November 16, 1928, 462 R 296: 2473, November 20, 1928, and November 22, 1928, 462 R 296: 2483; State Department Documents, NA/W. Committee of Experts on Reparations, February 12, 1929, BB. 2, February 16, 1929, BB.4; BB/L. See also Martin Wolfe, *The French Franc between the Wars, 1919–1939* (New York: Columbia University Press, 1951), 29–32.

[65] Frederick Leith-Ross, *Money Talks: The Autobiography of Sir Frederick Leith-Ross* (London: Hutchinson, 1968), 102–6; Arthur Salter, *Recovery* (London: G. Bell and Sons, 1933), 144–47. The British had resisted reopening the reparations issue, as the Treasury was fairly satisfied with the income from German reparations under the Dawes Plan.

[66] Kellogg to Armour, December 7 and 21, 1928, 462 R 296: 2521, 2558b; Schurmann to Kellogg, December 15, 1928; 462 R 296:2538; Armour to Kellogg, December 20, 1928; 462 R 296: 2556, State Department, NA/W.

in foreign exchange markets. The German mark and the British pound were especially vulnerable to destabilizing speculation; they suffered sharp selling pressures whenever it looked as if the Paris conference might fail.[67] These currencies were backed by relatively slim gold reserves. Moreover, in the first half of 1929, while the Paris meeting was in progress, the United States gained $210 million worth of gold and France gained $182 million at the expense of Britain and Germany.[68] (See Table 3.) These gold losses made Britain and Germany anxious to reach an agreement. Using Bulow and Rogoff's language, these countries had the highest future discount rate; because of their currency vulnerability, they put a premium on settling the reparations question sooner rather than later.

Despite its golden fortress, France's growing trade interdependence with Germany gave the French government an incentive to reach an agreement on German debts. France's trade with Germany went from a low of 2 percent of net national product in 1923 to more than 6 percent by 1930. Britain's two-way trade with Germany was equal to about 4.5 to 5 percent of NNP. By contrast, two-way trade between Germany and the United States was small relative to the size of the American economy (see Figure 2).[69] Germany was France's primary trade partner by 1930, while Britain and the United States traded primarily with each other

TABLE 3
SHARE OF THE WORLD SUPPLY OF MONETARY GOLD
(PERCENTAGE)

	U.S.	*U.K.*	*France*	*Germany*
1928	37.2	7.4	12.5	6.5
1929	37.7	6.9	15.8	5.3

SOURCE: Federal Reserve System, *Banking and Monetary Statistics* (Washington, D.C.: Federal Reserve, 1943).

[67] *London Sunday Times*, April 21, 1929; Keynes's article in the *Daily Express*, April 22, 1929. See also Jon Jacobson, *Locarno Diplomacy, Germany and the West, 1925–1929* (Princeton: Princeton University Press, 1972), 218.

[68] Charles P. Kindleberger, *The World in Depression, 1929–1939* (Berkeley: University of California Press, 1973), 112–16. On French gold imports, see Paul Einzig, *The Fight for Financial Supremacy* (London: MacMillan, 1931); and R. G. Hawtrey, *The Art of Central Banking*, 2d ed. (London: Frank Cass, 1932), 1–40. On the general decrease in British liquidity, see D. E. Moggridge, *British Monetary Policy, 1924–1931: The Norman Conquest of $4.86* (Cambridge: Cambridge University Press, 1972), 127.

[69] The logic of the bargaining model derived from Bulow and Rogoff (fn. 20) would place more emphasis on absolute levels of trade than on the trend itself, since the pressure to make concessions flows from the present, or possibly anticipated, costs of enforcement via sanctions. The trend would be important only if it were used to project future costs of enforcement, in which case much more weight should be placed on France's *growing* trade dependence on Germany.

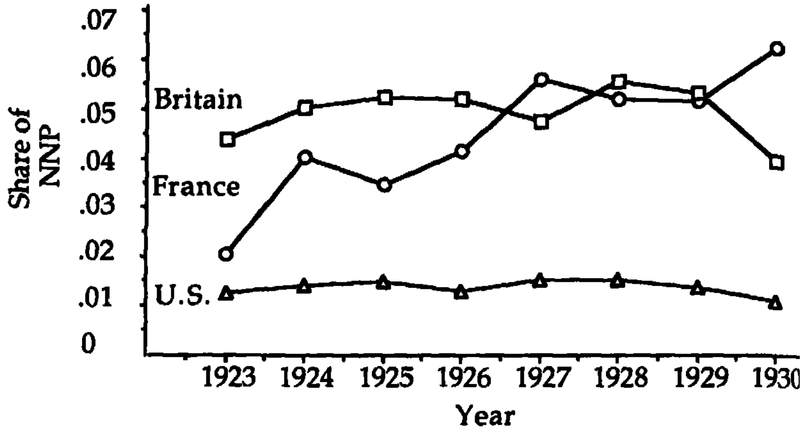


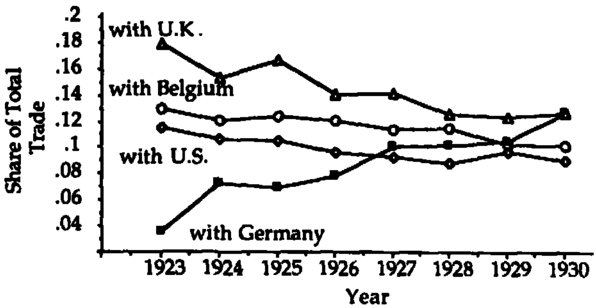
FIGURE 2
TRADE WITH GERMANY AS A SHARE OF NNP

(Figure 3). Bulow and Rogoff's bargaining model suggests that Frenc (and to a lesser degree, British) dependence on German trade provide an incentive for these governments to make concessions to reschedu Germany's debt, since attempts to enforce their payment unilaterall through trade sanctions would prove costly to the citizens of these cre itor countries.

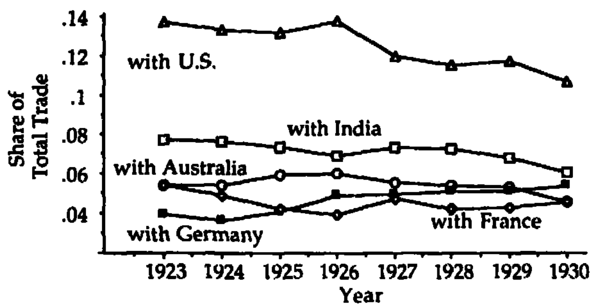
The creditor governments made two concessions to Germany and t Germany's private creditors to secure their cooperation in commercial izing Germany's reparation debt. The first was a scaling back of repa rations by roughly one-fourth of the annuity under the Dawes Plan. Th second was the decision to back the Bank for International Settlement which had been designed and proposed by bankers. This section review in greater detail both the interests of the governments of the major pow ers and the views of their central bankers, and it sets the stage for un derstanding the multilateral bargaining that took place over the cours of 1929.

Great Britain

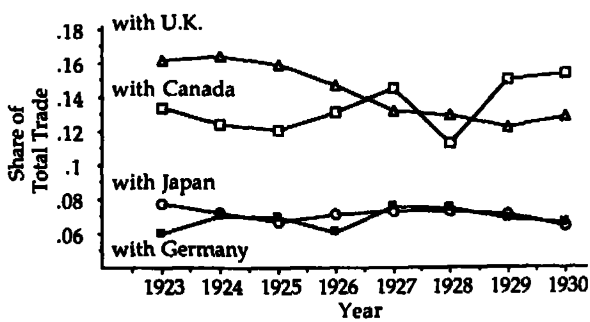
The British government was pulled in two directions during the Pari negotiations and the summer of 1929. On the one hand, domestic politi cal pressure discouraged a disproportionate reduction in British repara tions demands. On the other hand, intransigence contributed to mone tary instability and downward pressure on the pound. Treasury and



(a) % of France's Total Trade



(b) % of United Kingdom's Total Trade



(c) % of United States Total Trade

FIGURE 3
IE IMPORTANCE OF TRADE WITH GERMANY FOR FRANCE, THE UNITED KINGDOM, AND THE UNITED STATES

elected officials championed the fiscal concerns. The Bank of Engl warned of the monetary consequences.

Although British Treasury officials were not unconcerned with pound, they were much more likely to view the reparations is through fiscal lenses. When the plan first surfaced, Treasury offic expressed concern that the inflationary consequences of an internatio bank would erode the value of German payments to Britain.[70] Over summer of 1929 Treasury dealt not so much with the new institutio banking functions, which they left to the staff of the Bank of Englai as with the Trust Agreement, which defined the relationship betwe the bank and the Treasury with respect to reparations payments. Tre sury officials resisted giving the BIS discretion should Germany be unal to transfer the annuity. They wanted the BIS to assume the responsibili for collecting full reparations from Germany under the plan.[71] Britis Treasury officials saw the BIS as a way to ensure that Germany woul repay on schedule and as promised.

The change in government in the early summer of 1929 threatened British acceptance of the Young Plan's reparations agreement (though the BIS itself did not become a major electoral issue). The electoral campaign in the spring had aroused widespread discontent over taxation, and Labour's candidate for Exchequer, Phillip Snowden, had taken the popular position that the Treasury should collect as much as possible from foreign governments.[72] In the general elections of May 30, 1929, Conservatives lost 159 seats and Labour gained 157 in the House of Commons. Early in July, Snowden informed Parliament that he was not willing to accept the Young Plan, and a week later he announced his intention to

[70] Memo, Leith-Ross [?] to Hopkins, March 12, 1929, 1393 F11282/1, Treasury Documents, PRO/L.

[71] Leith-Ross to Pinsent, October 23, 1929; Leith-Ross to Pinsent, November 1, 1929; British Treasury Documents, T160 386, F11282/03/1, PRO/L. They also would have liked the BIS to assume responsibility for funneling reparations directly to the United States to pay off Britain's war debt, but they were sensitive to the difficulty this would cause with American public opinion. Hopkins memo, November 4, 1929; Pinsent to Leith-Ross, November 6, 1929, T160 386 F11282/03/1, PRO/L; Leith-Ross to Addis, April 3, 1930, 667/9, BEA/L. Moreover, the British realized that no matter what they agreed to separately with the bank, the American government would hold Britain responsible for the full payment. Memo, to Snowden from Leith-Ross, [late September?] 1929, T160 386 F11282/03/1. They realized that Morgan could not issue the bonds if the BIS were to get involved in debt payments to the US. British Delegation, Financial note no. 3, January 1930, T160 386 F11282/03/2, PRO/L. See also Addis to Norman, November 10, 1929, 630, BEA/L.

[72] Treasury told the British delegates upon their return to London that they were not "well disposed" to their reparations settlements. Sir Charles Addis, private diary, June 21 and 25, 1929, SOAS, London. On the domestic reaction to the reductions, see *Daily Mail*, April 19, 1929; "Mr. Snowden and the Balfour Note," *Nation and Athenæum* 45 (April 20, 1929), 67–68; *Manchester Guardian*, April 20, 1929; "Mr. Snowden's Victory—And After," *Nation and Athenæum* 45 (August 31, 1929), 698–99.

ek a redivision of creditor receipts from Germany. He carried out his reat on the first day of the Hague conference, despite efforts to con- ince him that the breakup of the Hague conference would be dangerous r the British economy.[73] Most of the conference was stalemated over is issue. The logjam was eventually broken by French concessions on acuation of the Rhineland, which resulted in an increase in Germany's mmitment to the reparations settlement. Snowden ended up receiving out 75 percent of his original demand (a sum that totaled about .5 rcent of the British budget), at the expense of the Germans, French, d Italians.

Treasury also harbored vague fears of the newly proposed bank. Influ- tial officials were skeptical of putting German payments on a com- ercial basis; they sensed an emerging alliance between central banks d investors in German securities that would press for future reductions German payments. They were also skeptical of the Bank of England's aim that the BIS would be useful in securing central bank cooperation[74] iscussed below). The new Labour appointees to Treasury were dis- sed to curtail the bank's more expansive functions and bring the BIS der greater government control.[75]

The Bank of England was much more supportive of the Bank for ternational Settlements because of its potential role in stabilizing the sition of the pound in the international monetary system. Britain's rel- ively small gold reserves made it difficult to defend the pound without ternational monetary cooperation and the willingness of smaller pow- s to hold foreign exchange as reserves instead of gold.[76] Neither France r the United States had supported these efforts during the 1920s; in- ed, they had conducted their foreign exchange operations rather un- mpathetically. As a result, Britain could not defend its prewar parity

[73] On behind-the-scenes efforts to secure Snowden's cooperation, see the following cables: mont to Young, July 31, 1929; Morgan to Young, July 31, 1929, 180-26; Lamont to Mor- n, August 1, 1929; Young to Lamont, August 2, 1929, 180-27; Morgan to Lamont, August 1929, 180-29; Morgan to Lamont, August 9, 1929, 180-30. Lamont concluded that "if the nference breaks, it will be due to the Chancellor's unbridled belligerency and unforeseen nplexities in British internal politics which none of us has the power to remedy. The Prime nister apparently has no firm control over his ministers." Lamont to Young, August 11, 29, 180-31, LP/HBS.

[74] Memo, "The B.I.S.: Criticisms by R. G. Hawtrey," July 27, 1929, BIS 667/2, BEA/L; memo, nternational Clearing House," R. G. Hawtrey (undated), BIS 667/2, BEA/L.

[75] Leith-Ross to Hopkins, July 15, 1929, T160 1393 F11282/2, Treasury Documents, PRO/L.

[76] This is the "gold exchange standard" with which Britain had tried to achieve interna- nal cooperation through the Genoa Resolutions of 1922. Cmd. 1667/1922: "Papers Relating the International Economic Conference," Genoa, April–May 1922, especially pt. III, Re- rt of the Second Commission (Finance), pp. 59–67; Cmd. 1650/1922: "Resolutions Adopted the Financial Commission of the 20th and 29th of April 1922." See especially resolutions 2, 9, 10, and 12.

without deflation, which exacerbated unemployment and caused a loss of lending business from London to New York, where interest rates were generally lower. The Bank of England, and especially Governor Norman, thought that the BIS might be useful as a forum for coordinating the policies of the leading central banks of Europe and America. Norman was interested not merely in a stable resolution to the reparations problem but also in broader institutionalized monetary cooperation between the major central banks—a consistent theme of British international monetary policy since 1922.[77] However, in contrast to the American bankers who had initiated the idea of an international bank, private British financiers were not enamored of the plan. While they agreed that it would improve Germany's commitment to pay, they feared the BIS would embark on credit and discount operations and compete with London's private commercial and investment banks.[78] These objections—and most importantly the British banks' fear of competition—served to curtail the Bank for International Settlements' more expansive credit functions proposed by the experts the previous spring.

In sum, the Young Plan was accepted by the British government because it had received satisfaction on reparations and because the governor of the Bank of England was fully supportive of the BIS, which he constantly referred to as a "club for central bankers." The Bank of England's international monetary concerns were clearly reflected in the bank's eventual membership (it was to be a "bank of central banks"), as well as in its stated purpose of fostering international monetary cooperation. At the same time, the reservations of private British financial houses were reflected in its significantly curtailed banking functions. Britain's reparations interests were protected in the Bank's Trust Agreement, in its limits on private banking, and in its potential for improving central bank cooperation.

[77] There was also the fear that the BIS itself could become another *hoarder* of gold. Bank of England, memo, "BIS, Precis of the Expert's Scheme," July 8, 1929; "Answers to OEN's [Otto Niemeyer, Treasury] Questions," Governor Norman, July 8, 1929, 667/6, BEA/L. Despite opposition to the gold exchange standard, Fed officials supported the BIS as a forum for Central Bank cooperation. See memo, "The BIS," for D. W. Morrow by de Sanchez [June?] 1929, 180-11, LP/HBS; [Lamont?] "America and the International Bank," *Foreign Policy Association News Bulletin* 8 (July 5, 1929); and Leon Fraser, "The International Bank and Its Future," *Foreign Affairs* 14 (April 1936).

[78] Leith-Ross to Hopkins, July 15, 1929, T160 1393 F11282/2, Treasury Documents, PRO/L. This concern was also voiced in the financial press. See *Financial News*, March 11, 1929; *Journal of Commerce*, July 18, 1929. These concerns resurfaced in the 1944 debates surrounding establishment of Bretton Woods institutions, where financial interests of the City of London feared that "if the plan is adopted financial control will leave London and sterling exchange will be replaced by dollar exchange." See Gardner (fn. 5), 123.

ANCE

he French government was less willing than were the British to make ompromises with respect to reparations. They did agree, however, that ere was no sense in killing the goose that laid the golden eggs. In rance's case, there was little difference between the Treasury and the entral bank with respect to reparations. Unlike the pound, the franc oincaré was strong, and the Banque de France had ample gold reserves or its defense. Fewer French funds were invested in Germany. For a umber of reasons, Paris did not have the stake in international financial or monetary leadership that Britain did.[79] As a result, the French did not eel as vulnerable as did the British to German financial difficulties.

In 1929 France's monetary and financial policies were markedly inward looking. The French had learned earlier in the decade that financial security was necessary to the independent conduct of foreign policy. Financial instability in 1924–26 had made France vulnerable to pressures o withdraw from the Ruhr, to accept the Dawes Plan, and to reach a debt accord with the United States.[80] Now in a position of relative strength, French officials wanted to shore up a balanced budget and to urther France's security objectives in Europe.[81]

France's greatest concern was enforcement of Germany's commitment o pay. The preferred solution was to put German obligations on a commercial basis. French treasury officials wanted to sell German obligations o private investors as soon as possible, which would immediately shift he onus of creditor status from the Trésor to individual (mostly Amercan) bondholders.[82] This sale of bonds to the public was referred to as 'mobilization," and the effect would have been to pay off Germany's *fficial* creditors at once. Indeed, in July 1929 Poincaré made the receipt of advance payment through mobilization a condition for French evac-

[79] French investors had traditionally favored domestic to foreign investment, and the franc ever became a significant store for international value. See Margaret G. Myers, *Paris as a inancial Center* (New York: Columbia University Press, 1936); Einzig (fn. 68), 58–70.

[80] Eleanor Dulles, *The French Franc, 1914–1928: The Facts and Their Interpretation* (New ork: MacMillan, 1929); idem, *The Dollar, the Franc, and Inflation* (New York: Macmillan, 933); and Stephen A. Schuker, *The End of French Predominance in Europe: The Financial risis of 1924 and the Adoption of the Dawes Plan* (Chapel Hill: University of North Carolina ress, 1976).

[81] Memo, "The BIS," for D. W. Morrow by De Sanchez, June 1929[?], 180-11, LP/HBS.

[82] Commercialization was not new, since Germany had in fact been fulfilling its obligaons under the Dawes Plan by borrowing anew on a commercialized basis to pay off its fficial creditors. Mobilization, however, would mean that the remainder of the German nnuity would be a direct obligation of the German Reich to individual bondholders with o guarantee by the creditor powers or the BIS.

uation of the Rhineland.[83] *France would then get paid* as soon as th *German obligations could be sold, rather than receiving installments* in *the distant—and uncertain—future. The goal of commercialization* wa shared by Emile Moreau, governor of the Banque de France, who rea soned that while Germany might renege on political debts, the risk o being cut off from international sources of capital would discourage de fault on commercial loans.[84] The French were especially concerned tha they not be discriminated against if Germany did default. As the officia creditor with whom Germany had the worst bilateral relations, Franc feared that unless creditors could agree to some equitable procedure i case of default, the British, who had taken a much softer line on th reparations issue, would continue to be repaid while payments to Franc would be allowed to fall into arrears.[85]

Overall, there was little difference in perspective between French cen tral bankers and their government, and ratification of the Young Plan went relatively smoothly. As became clear in debates in the Chambre in mid-July, the overwhelming appeal of the plan, and hence of the bank was that it commercialized and mobilized the German debt. Both the Trésor and the Banque de France were influential in securing the bank's enforcement of the principle of nondiscrimination among Germany's creditors in case of default—a critical point for Germany's least-loved creditor. Resistance to the plan tended to come from the far Left, which

[83] Note from Moreau and Parmentier to Poincaré, June 13, 1929; quoted in Etienne Weill-Raynal, *Les Reparations Allemandes et La France*, vol. 3, *L'Application du Plan Dawes, le Plan Young, et la Liquidation des Réparations (Avril 1924–1936)* (Paris: Nouvelles Editions Latines, 1947), 457. See also Poincaré's speech in *Journal Officiel, Chambre, Débats Parlementaires*, July 16, 1929, p. 2544. See also the Report of M. Gignoux on the Hague Accords, *Commission des Finances de la Chambre*, March 24, 1930; *Journal Officiel Documents Parlementaires, Chambre, Session Ordinaire*, 1930, Annex no. 3.070, 318. On the link to France's Rhineland policy, see Jacobson (fn. 67), 300.

[84] U.S. Embassy, Paris, to State Department, November 1, 1928, 462 R 296 2470; Shurmann to Kellogg, December 15, 1928, 462 R 296, NA/W. France's input reflected this obsession with the defection problem. In alliance with the Belgians they concocted unorthodox means to ensure that Germany would be subject to the discipline of the capital market. The French suggested that bonds be created for the whole of the German reparations debt and then that the numbers of the bonds be mixed up, so that the Germans could not tell whether they would be defaulting on a political or a commercial obligation. The point, of course, was to subject the Germans to market discipline, even if governments were the primary holders of German bonds. Although this idea was nixed by the Americans and the British, it highlights France's extreme concern with potential German defection. The French proposal is recorded in a conversation between Stamp and Parmentier, February 15, 1929, BB.42; for the Belgian suggestion, see the minutes of the meeting of the British delegation, February 1929, DPP2.4, BB/L. For the American reaction, see Young to President Hoover and secretary of state, March 2, 1929, 179-25, LP/HBS.

[85] This fear was expressed by Emile Moreau, governor of the Banque de France, the first week of the Paris Conference. Memo, "Commercialization and Mobilization," February 21, 1929 [unattributed; likely written by a member of the American delegation], 179-7, LP/HBS.

wielded little or no influence in France at this time.[86] Despite their objections, there seemed to be general recognition that the Young Plan was an acceptable means of achieving France's goals.[87]

THE UNITED STATES

The U.S. government officially absented itself from the Paris conference, as it had done with every other important economic conference of the decade. Its overriding concern was to maintain the strict separation of allied war debts and German reparations. On the latter the U.S. government refused to take any position whatsoever.[88] U.S. officials opposed any link between the Bank for International Settlements and debts owed the U.S. When it appeared such a link might take shape, Stimson cabled Young in Paris that he was "very disturbed" that "practically, Germany will be paying her obligations to an international bank. . . . [W]e will be collecting reparations from Germany in satisfaction of the Allied war debt to us through the means of an international bank which we have created and in the management of which we participate." If the settlement were to go through as planned, Stimson complained, for all practical purposes the U.S. would be "the one creditor nation."[89] The United States government opposed any bank that would simply be a funnel for German reparations to pay off American war loans.

Through a series of acerbic exchanges, the American experts tried to convince the administration that the BIS would benefit the United States without involving their country in reparations. The primary benefit of the BIS, Young told the Hoover administration, would be to deflect Eu-

[86] The Socialists objected to the bank on the grounds that they preferred international financial cooperation to be under state control in collaboration with the League of Nations, rather than under control of a "financial oligarchy." They also noted that while the plan protected Germany in case of a payment moratorium, it did not protect those of her creditors who were in debt to the United States. Léon Blum, *Populaire* (March 11, 1929); Vincent Auriol, *Journal Officiel, Chambre, Débats Parlementaires* (July 18, 1929), 2632.

[87] This generally favorable impression is conveyed in the French press. *Journal des Débats* (March 7, 1929) referred to the proposal as an "international clearing house" and a "superbank" and was generally favorable to the idea but warned of the political power it might give the United States. *Le Temps* (March 7, 1929) was generally favorable, as was *L'Agence Economique et Finance* (March 7 and 12, 1929). *Echo de Paris* (March 8, 1929) noted apprehensions in some circles regarding the "supranational" authority of "Young's" bank. On March 13, 1929, it carried an article that supported the trustee aspect of the plan but noted that the "Americans' superbank" was a "dangerous distraction from the real issue" of how much Germany should pay.

[88] This was virtually the only point on which American negotiators had strict orders from their government. Stimson to Young, April 15, 1929, 2787a; conversation between Stimson and the German ambassador, April 24, 1929, 2824; Stimson to Young, May 2, 1929, 2852, vol. 43, State Department Documents, NA/W.

[89] Stimson to Young, April 8, 1929, 462 R296, vol. 42, Doc. 2773b, State Department Documents, NA/W.

[illegible] principal creditor. Young argued tha[illegible] the "tasks of commercialization"; it would shift [illegible] political to market machinery, "diminishing th[illegible] [illegible] " Stockholders in the bank, he pr[illegible] [illegible] private individuals or central banks and would provide [illegible] against political influence." The BIS would "organize the credi[illegible] of the world" for collection of debts from Germany.[90] This co[illegible] effort was expected to remove the threat of political disruptio[illegible] U.S.-European economic relations. Young, Lamont, and Harriso[illegible] ernor of the Federal Reserve Bank of New York) tried to convi[illegible] administration that the BIS would perform a very specific functi[illegible] no individual financial firm wanted to take on in 1929: it would m[illegible] the rocky transition to normalcy.

Nonetheless, by late spring the U.S. government had begun open[illegible] distance itself from the work of the Young Committee. In May, Stim[illegible] announced publicly that no official of the Federal Reserve System wou[illegible] be permitted to participate in the BIS. This announcement drew an ac[illegible] monious response from the American delegation:

> If Washington had made the most diligent study to find a way of bringing the [Paris] Conference to failure, it could not have used a method more effective than that adopted by Secretary Stimson. The officials in Washington seem to have not the remotest conception that they are blithely playing with dynamite. . . . Even though Washington itself may not wish to cooperate at least it can refrain from torpedoing before it gets started the machinery from which it is to benefit.[91]

To a great extent, the administration's proscription was intended fo[illegible] domestic political consumption. In Stimson's words, only by maintainin[illegible] its official detachment could the administration preserve American par ticipation in the bank while preventing its "friends on the Hill fron[illegible] running amuck."[92] Over the summer of 1929, Young, Lamont, and Gov

[90] Cable, Young to Hoover, Mellon, and Stimson, March 2 and 19, 1929, 179-25, LP/HB[illegible] For an extremely generous interpretation of the American experts' motives, see Ida Tarbell *Owen Young: A New Type of Industrial Leader* (New York: MacMillan, 1932).

[91] Memo, Lamont [?] to Schneider, May 17, 1929, 179-22, LP/HBS. As early as May 192[illegible] Secretary of State Stimson had made it clear to the New York banking crowd that the U.S. government would not permit any official of the Federal Reserve System to serve or sele[illegible] representatives or members for the proposed international bank. Cable, J. P. Morgan Inc New York to Lamont in Paris, May 17, 1929, 178-26. Lamont blamed the American admin istration for making the collapse of the negotiations more likely. Lamont to Elihu Root, Apri[illegible] 19, 1929, 179-27, LP/HBS.

[92] Stimson to Hoover, June 8, 1929, quoted by Frank Costigliola, "The Politics of Financia[illegible] Stabilization" (Ph.D. diss., Cornell University, 1973), 478; more generally, idem, *Awkwar[illegible] Dominion: American Political, Economic, and Cultural Relations with Europe, 1919–1933* (Ith aca, N.Y.: Cornell University Press, 1984). Mill intimated to Harrison upon receipt of th[illegible] Young Plan that "after a more careful study of the Plan I have reached the conclusion tha[illegible]

vinced the Hoover administration to take a less ob-
-à-vis the BIS. They argued that maintenance of the
depended on the American willingness to cooperate and
ation would greatly benefit the United States by bolstering
e and stimulating trade.[93] Finally, Secretaries Cotton and Mills
o send an inconspicuous low-level representative from the Fed-
erve System to protect American interests at the upcoming bank
zation committee meeting in Baden-Baden, although no officials
Federal Reserve were ultimately allowed to work for the BIS.[94]
the Hoover administration generally supported the goals of the
ican bankers in 1929, the position it took for domestic political rea-
was a source of tension between the American negotiators and their
rnment, not to mention of confusion for the Europeans.

merican interests placed severe constraints on the institutional solu-
ion to Germany's debt repayment. It is likely due to American partici-
pation that the BIS statutes contained any reference to "banking func-
tions" at all, for the more dominant the reparations functions, the less
sympathetic was the U.S. administration. The United States government
simply would not yield on the question of delinking the bank from the
payments of interallied war debts and obstinately refused to participate
officially. As the government with ostensibly the least to lose (much less
rade with Germany, a stable currency, and the only government not

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f *neither reparations nor inter-allied war debts existed* it would probably be advisable for the Federal Reserve System to participate in the organization and management of the international bank" (emphasis added); Mill to Harrison, June 19, 1929; Harrison Papers, 2013.1, FRBNY. This ambivalence reflected that of American opinion more generally. A sampling of American reactions include "The United States and the Bank for International Settlements," *Commercial and Financial Chronicle* (June 29, 1929), 4211-13, which opposed Federal Reserve involvement in European politics. Other press reports noted that American aloofness might be dangerous. *Chicago News*, July 6, 1929. See also *New York World*, July 5, 1929; *New York Herald Tribune*, July 5, 1929; *Commercial and Financial Chronicle*, July 6, 1929.

[93] Memo on the Young Plan for the secretary of state, June 25, 1929, 180-18, LP/HBS.

[94] Harrison, memo of conversations with Cotton and Mills, September 6, 1929, 2013.1 Harrison Papers, FRBNY. A series of letters between Harrison and the administration shows that the Fed was to be allowed to carry on a low-key relationship with the BIS. See Burgess to McGarrah, July 13, 1929; Harrison to Burgess, July 17 and 18, 1929, FRBNY; Harrison to Moreau and Schacht, August 13, 1929, FRBNY; see also Harrison's memo, "Views and Comments Relative to Provisions of the Experts' Report Concerning the Bank for International Settlements and Its Possible Relations with the Federal Reserve Bank of New York," August 9, 1929, FRBNY; Young to Moreau, July 22, 1929; Harrison to Schacht, July 22, 1929, all in FRBNY file 797.3. See also Harrison, memo of a conversation with Cotton, December 18, 1929, Harrison Papers, Correspondence File, 2011.1, FRBNY. It was agreed that no American who was not satisfactory to the New York Federal Reserve would serve on the board of the BIS. Morgan to Lamont, memo regarding an interview between Young, Harrison, Cotton, and Mills, July 13, 1929, 180-22, LP/HBS. The reasons behind the American government's ambivalence were summarized from the British point of view in a letter from the British embassy in Washington to Treasury, Howard to Henderson, July 12, 1929, T160, 1393 F11282/2, PRO/L.

owed reparations), the Hoover administration thought it could afford to be intransigent on these issues. In two short years they would be proven wrong.

Germany

The German government had clear reasons for cooperating with efforts to revise reparations and reorganize its debt. Improvements in the German standard of living over the past decade had largely been financed by foreign capital and were threatened by the reversal in capital flows that had become evident by 1928. The capital drought sparked a budget conflict, which in turn precipitated a cabinet crisis in the first four months of 1929.[95] But German leaders were maneuvering between narrow options: on the one hand, the growing appeal of nationalist slogans limited the domestic political feasibility of cooperation with the Allies; on the other, German intransigence elicited the immediate negative reaction of the money market, causing the mark to plunge.

Moderate German leaders believed the nation's interests would be served by reduced reparations and a credible program of payments that would inspire the confidence of foreign capital. German officials also wanted the benefits of external supervision of their economy without politically repugnant Allied control. The direct foreign control of the economy which had been in place since the war—the Reparations Commission, foreign supervision of the domestic economy, foreign representation on the Board of the Reichsbank—was increasingly politically unacceptable and fed the fires of German nationalists.[96] The German government also wanted to settle several outstanding territorial issues with France and an agreement on reparations was viewed as the price for French cooperation.[97] Stresemann, the foreign minister, wanted to conclude a reparations agreement that would secure a promise from France for an early evacuation of the Rhine.

The Young Plan provided Germany immediate financial relief: it scaled back yearly reparations payments by 28 percent, without which an immediate tax increase would have been needed to meet the obligations of the Dawes loan. Higher taxes and the restriction of foreign credit

[95] Turner (fn. 31), 246–52.

[96] On the importance of eliminating international control, see Schacht's letter to Stresemann, September 20, 1928, cited in Eyck (fn. 31), 175.

[97] Jacobson (fn. 67), 239–349. The British Labour Party also supported evacuation, and from May 1929 this was government policy. Henry R. Winkler, "The Emergence of a Labor Foreign Policy in Great Britain, 1918–1929," *Journal of Modern History* 28 (September 1956). British public opinion also favored French evacuation of the Rhineland. See "The Importance of the Rhineland," *Nation and Athenæum* 44 (December 15, 1928), 402–3.

ould have aggravated the economic depression already under way. resemann defended the plan, not as an ideal settlement, but as a supe- or alternative to financial crisis such as had occurred in 1923.

There were major differences between the German government and e Reichsbank president over subordination of the reparations question Germany's larger political and diplomatic goals in Europe.[98] Schacht as strident in his rejection of any agreement that would exceed Ger- many's capacity to pay. He opposed his government's position that Ger- many could agree to higher reparations payments in exchange for terri- torial concessions. The effect on the German economy of "paying" for such concessions would be devastating and would dash investor confi- dence. Schacht originated the idea of an international bank, which he hoped would improve Germany's access to foreign credit. Without that, he argued, it would be impossible to pay reparations.[99]

Predictably, the Young Plan came under nationalist attack in Ger- many. The German National People's Party announced it would place the plan on a referendum before the German electorate. The Association of German Industry refused to endorse it until the political benefits could be guaranteed. Only after surviving a series of motions of no confidence proposed over the summer by the extreme Right and extreme Left did the government achieve a majority of support in the Reichstag.[100] This support was slim and insecure, however, and was vulnerable in the months to come to the open opposition from the president of the Reichs- bank.[101] A strong current of German opinion supported Schacht's intran- sigence, especially on the grounds that the bank was not empowered to finance German trade and long-term investment.[102] By September na-

[98] From the British perspective, see the diaries of Lord Revelstoke (member of the British delegation to the Paris Conference), February 27–March 2, 1929, DPP2.4, BB/L.

[99] Addis wrote to Leith-Ross of the Paris negotiations: "[The BIS] held out to Germany the prospect of increased foreign trade and the promise of material assistance out of the profits of the BIS. It was by this means and only by this means that the Experts succeeded in per- suading Germany to agree to the annuities of the last 22 years." Addis to Leith-Ross, July 28, 1929, Governor's File 263, BEA/L.

[100] Jacobson (fn.67), 290–91.

[101] Throughout the experts' conference, Schacht had insisted that Germany could not be forced to pay ridiculous amounts. Lord Revelstoke's private diary, February 19, 1929, DPP2.4, BB/L; Schacht's memo of April 17, 1929, reprinted in Schacht (fn. 29), 63–71. When it became apparent in the autumn of 1929 that the BIS would not be able to extend much credit, Schacht threatened to walk out, to the thrill of an increasingly nationalistic German public. Federal Reserve Bank of New York, Foreign Information Division, memo, "Ger- many and the Bank for International Settlements," February 1930, File 797.3, FRBNY. By January 1930 Schacht was demanding that the German government repudiate the Hague Protocol of the previous August. This put the German government in a very difficult posi- tion, since it could ill afford to appear less energetic than the Reichsbank in the defense of German interests. Gilbert to McGarrah et al., January 12, 1930, file 797.3, FRBNY.

[102] See, e.g., L. Albert Hahn, "Die Internationale Bank und Krediterleichterung," Hans

tionalist extremists, spearheaded by Hitler, were sponsoring a special plebiscite against the plan, though it was obvious that they lacked the twenty-one million signatures needed to bury it.[103] The Müller government managed to hang on until the Young Plan was finally ratified in March 1930. Germany's interests in the Young Plan were reflected in the drastic reduction in reparations, as well as the creation of a neutral, non-political machinery to enhance their credibility. Schacht's hope for expansive BIS financial functions was largely checked by general concerns about inflation and the specific concerns of British bankers cited above.

In short, the creditor governments, and especially their treasuries, primarily wanted to do as well as possible on the collection of reparations (the United States government, of course, wanted to avoid any official involvement with reparations whatsoever). Simply put, governments faced immediate political and fiscal pressures to maximize their expected financial payoffs. *Not a single government actively supported the establishment of an international bank; they had to be convinced by central and private bankers that their reparations interests would actually be furthered if such a bank were established.* Central bankers in Britain, Germany, and the United States were much more sensitive than were their treasuries to the implications for the international monetary system if reparations were unresolved and confidence dashed, and they were correspondingly more enthusiastic about the bank's potential role. The BIS was a concession to Germany and to American financiers to secure their cooperation in commercializing the reparations. The initiative for innovation came from the private sector, to whose interests we now turn.

V. The Role of the Private Sector

The key to settling and reorganizing the German debt was in the hands of a relatively small group of private actors who had an overwhelming stake in avoiding the collapse of international lending: highly internationalized American and to a lesser extent British financiers.[104] This group was crucial to the successful commercialization and sale of the German debt to an investing public. They were indispensable in achieving the French desire to shift German obligations to private investors

Niesser, "Der 'Kreditfonds' der Internationalen Bank," and Melchior Palyi, "Die Reparationsbank als Quelle für Kreditschopfung," all in *Die Reparationen Bank* (Frankfurt am Main: Kritische Betrachtungen, Frankfurter Societäts-Druckerei, 1929).

[103] Turner (fn. 31), 258–59.

[104] Morgan in particular was seen as the key to the New York bond market and the ticket to a successful mobilization. Third meeting of the British delegates, Paris, February 10, 1929. DPP 2.5, BB/L.

nd collect the proceeds immediately and the Germans' desire to be rid of the Reparations Commission. Bankers' cooperation was therefore essential in resolving Germany's debt.

The private financiers who had been involved in formulating the Dawes Plan in 1924 and the Young Plan in 1929 were very much in favor of putting Germany's debt on a commercial basis and liquidating the political machinery from the war.[105] The problem was, however, that the whole of German obligations could not simply be absorbed by the market under the conditions prevailing in 1929; and partial mobilization might create problems of equity among Germany's official creditors.[106]

There were only two conditions under which private financiers were willing to undertake commercialization. The first was a significant reduction in reparations, which made them Germany's influential ally. Lord Revelstoke of Baring Brothers, for instance, and also Sir Josiah Stamp tried to convince the British Treasury to reduce its demands on the Germans.[107] Internationalist American bankers, too, thought that their own government's policy on interallied war debts was seriously misguided and believed that normal business relations could not be restored until a portion of these debts was written off, in turn triggering a cancellation of a portion of the reparations demands on Germany.[108] Private lenders complained that official debts were crowding out private investment and sapping confidence. They knew that the value of private loans would be greatly enhanced—indeed, further private lending (from which these financiers could expect to gain as intermediaries) might be stimulated—if taxpayers simply swallowed the loss through cancellation.[109] This was precisely the outcome the American Congress wished to avoid. In short, private capital wanted significant cancellations of pub-

[105] J. P. Morgan described the rescheduling and commercialization of German reparations as "this great work, which if successful, seems to me to mark the end of the war period as it settles the last outstanding questions between the belligerents." Telegram, Morgan to Revelstoke, January 18, 1929, DPP2.4, BB/L.

[106] This problem was recognized prior to the Paris negotiations. The British feared that the French and Belgians would use partial mobilization to claim priority for their reparations, leaving the British with the risk of collecting political debts from Germany. Memo, Pinsent, "Provisional Conclusions of the 1st meeting of British members of the Committee of Experts on Reparations," January 25, 1929; Goodchild to Pinsent, February 6, 1929, DPP2.4, BB/L.

[107] Revelstoke evidently did not succeed, however. To Montagu Norman, he described Treasury as "hide-bound" in their ideas and in possession of "impossibly inelastic ideas." Revelstoke Diary, February 24 and 25, 1929, DPP2.4, BB/L.

[108] Joan Hoff Wilson, *American Business and Foreign Policy, 1920–1933* (Boston: Beacon Press, 1971), 123–56; Melvin Leffler, "The Origins of Republican War Debt Diplomacy," *Journal of American History* 59 (December 1972), 590.

[109] Cancellation was advocated by J. P. Morgan as early as 1922. See John Douglas Forbes, *J. P. Morgan, Jr.* (Charlottesville: University Press of Virginia, 1981), 145.

lic debts, whereas governments sought their commercialization. Neither wanted to be caught holding massive amounts of German bonds if Germany unilaterally declared itself unable to pay.[110]

The second condition was the creation of a new collective structure for marketing German bonds. No single firm was willing to take on this responsibility under the grim market conditions of the late 1920s. Early in the negotiations at Paris, J. P. Morgan evidently intimated to Lord Revelstoke that his firm would take responsibility for marketing some $500 million of German bonds, but similar commitments were not forthcoming from financial houses in Europe.[111] Three months later a Morgan associate did not mince words regarding his hesitation about marketing German bonds: "I think the things most in our minds as concerning ourselves are the protection of the lien and security of the Dawes bonds which we issued and the desire to avoid responsibility for commercialization or for the International Bank."[112] The price of private cooperation was reparations reductions and the establishment of the BIS with official support.

The value of a multilateral banking institution became clear in an exchange between the American and French experts over how to accomplish commercialization. The French wanted an immediate sale of a "considerable block" of the German annuity in the markets of all the allied governments and proposed that the bonds be internationalized and made interchangeable into any currency in the world. The Americans realized that this would translate into a vast wave of German bonds washing up in New York.[113] France's Trésor would collect, leaving American financiers to manage an oversaturated market for German bonds. The Americans preferred that successive tranches be managed by an international bank. That bank, for which they would bear no direct responsibility, would in effect determine when and how to place the loan.

In its crudest form, then, the deal between financiers and creditor governments was reduced reparations for commercialization. But the only way in which the American bankers were willing to hold up their end

[110] Lord Revelstoke wrote of J. P. Morgan at the beginning of the Paris Conference that "he is intently desirous, for his own credit's sake, to be the leader of a satisfactory settlement." Clearly, a settlement that involved reduced reparations would enhance not only Morgan's personal credit but also the value of foreign bonds his firm would sell to investors. Lord Revelstoke diary, February 14, 1929, DPP2.4, BB/L.

[111] Lord Revelstoke diary, February 14, 1929, DPP2.4, BB/L.

[112] There was much concern at the time that the market for German bonds was dangerously oversaturated. Cable from New York Office to Lamont, May 16, 1929, 178-26, LP/HBS.

[113] Memo, written by a member of the American delegation, "Commercialization/ Mobilization," February 21, 1929, 179-7, LP/HBS.

the bargain was through international cooperation, which would im- ove the chances of collecting reparations and protect individual firms om the risky business of managing the German debt. In Thomas La- ont's words, "The magnet which has held the [Paris] Conference to- ther from the beginning has been the International Bank. That piece f machinery is . . . essential to the Plan. . . . It would have been laughed ut of existence had it not been for the prestige of Mr. J. P. Morgan and ord Revelstoke, and their wise and broadminded advice which domi- ated the bank plan."[114] The price of private cooperation was the Bank br International Settlements. It was a price the creditor governments vere not averse to paying, since it also improved the expected value of eparations.

VI. Conclusion: Dynamic Contracting, Multilateral Bargaining, and the Establishment of the BIS

The Bank for International Settlements was designed to address the problem of capital market failure, a storm that was gathering as the 1920s came to a close. It is a historical fact that it was not successful in this respect. It is easy to enumerate the bank's early limitations: the BIS was ultimately unable to extend important credits to finance international trade; it had limited financial resources; it got the cold shoulder from the United States government. However, innovation *did* take place, and its timing fits with expectations that are generated by theories of dynamic contracting in capital markets under conditions of anarchy. This literature points to the difficulty of making credible commitments, to information asymmetries, and to collective-action problems among creditors as sources of severe market malfunction when contracts cannot be enforced. It also points to the role of international institutions in bolstering a borrower's credibility and addressing creditors' collective actions, to the mutual benefit of both.

Dynamic contracting theory provides a rich and parsimonious approach to understanding the puzzle of the founding of the Bank for International Settlements during the late 1920s—a time of heightened international tensions, British financial weakness, and official American isolation. Traditional theories of international relations that focus on relations between governments would tend to miss (or misinterpret) the crucial role of public/private bargaining that went on in this case. Theories that focus on high politics might view the BIS as a solution "im-

[114] Lamont to Morgan and Company, New York, June 1, 1929, 178-27, LP/HBS.

posed" on Germany by her creditors. Hegemonic theories would puzzle over why both the British and the American governments avoided leadership in the formation of this new institution. Dynamic contracting theory provides a perspective that helps several pieces of the puzzle fall into place.

First, it sheds light on why capital inefficiencies arise. The central difficulty of a sovereign borrower is that it cannot readily be forced to repay, and due to time-inconsistent preferences, such a borrower may find it difficult to make a credible commitment *ex ante*. Political instability and polarization can contribute to the temptation to defect *ex post*, as the market judged to be the case with Germany from 1928. While it is hardly the whole story (the booming American stock market was surely critical), assessments of Germany's credibility contributed to the slowdown of capital inflows in 1928 and their reversal a year later. In this model market inefficiencies arise because of anarchy and information asymmetries, which are exacerbated by domestic political instability in the borrowing country.

Dynamic contracting theories also point to the mutual interests of debtors and creditors in overcoming capital market suboptimality. Because of credibility problems, debtors pay too much and receive too little capital. If the borrower cannot establish its credibility, lenders forgo loans that would have been profitable. This perspective highlights a *common interest* in addressing the market failure. It throws into question any interpretation that views the Young Plan and the Bank for International Settlements as a solution imposed on a Germany under the thumb of her creditors.

Finally, dynamic contracting theory provides a rationale for institutionalization. Forward-looking actors should be willing to negotiate arrangements that help establish the borrower's credibility: the rewards are better access to capital for the debtor and further profitable lending, on a more secure basis, for the lender. We should therefore expect a new institution to address the problems of enforcement and asymmetrical information. The BIS did this by holding German railway bonds as collateral; by providing neutral information on Germany's economic conditions and repayment intentions; and by coordinating the actions of Germany's creditors in case of default, in this way potentially enforcing an "external implicit contract" to limit Germany's future access to capital in case of repudiation.

A dynamic contracting approach also has interesting implications in a multilateral bargaining setting that involves a sovereign debtor, private lenders, and creditor governments. In this setting, negotiations between

private creditors and their governments may be as crucial as those between creditors and debtors. When debts are rescheduled in such a setting, private creditors and their governments can bargain over the total volume of debt and the institutional setting in which it will be handled. This perspective allows that private and public creditors often have distinct interests. In Bulow and Rogoff's model, governments are sensitive to the costs of enforcement (which can include economic sanctions) if their citizens carry on significant trade with the debtor country. In our case, France was increasingly dependent on German trade and correspondingly less willing to exercise unilateral trade sanctions over the course of the 1920s. Another critical parameter is the creditor government's time horizon. In discussing the rescheduling of reparations, a convenient proxy for the rate of future discount is gold reserves and vulnerability of the currency to bear speculation. Britain and Germany were most subject to this pressure and made concessions accordingly.

Finally, this framework helps to order an inquiry into the interests of an array of actors who were instrumental in international institutional innovation. Such an inquiry is essential in understanding the *form* that the institution eventually takes. I have argued that because of their much greater sensitivity to the international monetary and financial implications of noncooperation, private financiers with their reputations and continued business at stake and central bankers who were charged with maintaining monetary stability were the initiators and designers of the BIS. Private American financiers pressed for a bank that would manage the liquidation of the last financial vestiges of the Great War, and, drawing from a model familiar to them, they hoped to expand the functions of the BIS to include a number of normal banking activities. British financiers, fearful of competition, opposed expansive banking functions and eventually prevailed on this point. Central bankers in the United States and Britain wanted to use the BIS as a forum for central bank cooperation, the function that has most recognizably survived to the present day. Treasury and elected officials viewed the BIS through fiscal lenses with an eye on domestic politics. But because the BIS was expected to improve the chances that they would actually collect reparations, they agreed to its establishment, cut their reparations demands, and held the BIS responsible for selling the German debt to investors as soon as possible.

The best reason for analyzing the BIS in the dynamic bargaining framework proposed here is that it is provides a better explanation than rival approaches available in the traditional international relations literature. Any approach that focuses primarily on state-to-state bargaining

vould have difficulty explaining how the BIS got on the internatior genda at all. During the 1920s politicians of the creditor powers wou ave encountered major domestic obstacles and reaped few immedia olitical rewards for initiating a more cooperative and innovative stan n the problem of Germany's debt. They faced overwhelming domesi ncentives to take a tough stand on reparations. Private investors ai entral bankers, however, understood and had a stake in smooth-fun oning capital and currency markets. They initiated the bank and he ut the promise of commercialization in exchange for reduced repar ons demands and official acceptance of the Bank for International S(ements. Were private actors excluded from the analysis, it would l ifficult to understand such innovation in the context of the 1920s.

Systemic analyses would misunderstand and mispredict the creatic f the Bank for International Settlements. Realists would not diagno ne common interest Germany and its creditors had in a new institi onal setting for handling the reparations issue. To the extent that th ould explain the institution at all, it would be interpreted in coerci rms, in which case it would be difficult to account for the significal eparations reduction and for the substitution of the bank for the Rep: ntions Commission. Hegemonic stability theory does no better, regar ss of whether one interprets the interwar years as a period of heg nony. The core of the theory is leadership of the dominant econom ower, and there is simply no way to account convincingly for the cre: on of a relatively ambitious international organization that no goverr nent—and emphatically, *not* the United States—initiated or gave muc ipport. Neither of these approaches could begin to understand why the ew institution took the form it did, straddling reparations and banking unctions and promising central bank cooperation.

Because of the traditional focus on the divisive nationalism of the in- rwar years, few theories of international relations have integrated pri- ite economic agents into a political analysis of this period. This study iggests that transnationalism, discovered by political scientists only in ie 1970s, affected international financial cooperation in the years be- veen the two world wars. Transnationalism was most strongly ex- essed in the concerns of private financiers and central bankers. Impor- nt differences existed between these groups: American bankers would ave liked to put the bank on a commercial basis and give it expanded nding functions, while the central bankers were primarily interested in e role the bank could play in international monetary cooperation. This inor division never jeopardized the founding of the bank, but it did

result in a curious ambiguity in the bank's primary mission. The dynamic multilateral bargaining approach described here is explicit about he interests of private creditors and those of their government. It is useul in framing a rigorous study of debt rescheduling and international nstitutionalization.

CREDIBILITY, COSTS, AND INSTITUTIONS
Cooperation on Economic Sanctions

By LISA L. MARTIN*

IN December 1981 the Polish government imposed martial law. The Reagan administration, believing that the Soviet Union had played a key role in this action, imposed economic sanctions against both Warsaw and Moscow. The most significant U.S. sanction was an embargo of the oil and gas equipment needed to build a natural gas pipeline from Siberia to Western Europe. Unilateral U.S. sanctions would have had little impact on completion of the pipeline, however, since European firms—many of them subsidiaries of American firms or acting under contract from them—were to supply most of the necessary materials. Hence, the United States pressured European governments to prevent their firms from fulfilling contracts with the Soviet Union. When the Europeans refused to comply with these demands, the U.S. tried to improve extraterritorial application of the law in an attempt to stop European firms from completing their deliveries.[1] The governments of Britain, West Germany, France, and Italy intervened to force firms to meet their contractual obligations. This precipitated a crisis in the NATO alliance, as the United States threatened to blacklist any firms not complying with the embargo. The situation was on the verge of an all-out trade war between the United States and Western Europe when the Reagan administration backed down. It did not impose the threatened countersanctions and indeed even lifted the restrictions on sales by American firms, thus ending the crisis.

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[1] Bruce Jentleson, *Pipeline Politics: The Complex Political Economy of East-West Energy Trade* (Ithaca, N.Y.: Cornell University Press, 1986); Antony J. Blinken, *Ally versus Ally: America, Europe, and the Siberian Pipeline Crisis* (New York: Praeger, 1987); Beverly Crawford and Stefanie Lenway, "Decision Modes and International Regime Change: Western Collaboration on East-West Trade," *World Politics* 37 (April 1985); David A. Baldwin, *Economic Statecraft* (Princeton: Princeton University Press, 1985), 278–89.

This story contrasts sharply with developments in the Persian Gulf in 1990 and 1991. After the Iraqi invasion of Kuwait in August 1990, the United States again took the lead in imposing economic sanctions. In this case, however, the Bush administration achieved an unprecedented level of international cooperation, even from countries for whom a boycott of Iraqi oil was expected to prove especially difficult. International acquiescence in the boycott was so extensive that Saddam Hussein's sales of oil began to suffer immediately, and sanctions continued even after Iraq's military defeat. While numerous factors distinguish these two cases from one another, they nevertheless also exemplify a pattern deserving explanation as levels of international cooperation on economic sanctions vary widely. Beyond posing this intriguing puzzle, cooperation has become an important substantive problem, since it is typically necessary for sanctions to be effective.

In examining international cooperation on economic sanctions, this article seeks to identify factors that influence the level of cooperation. The availability of data on many cases of sanctions allows testing of theories of international cooperation. The findings here support theories that focus on the credibility of commitments. The first section presents the cooperation problem, arguing that the leading sender's credibility is the key to explaining the level of cooperation achieved. The second section discusses the concept of audience costs, how they establish credibility, and the types of actions that would force the leading sender to incur audience costs if it did not live up to its threats and promises. The third section presents a simple game to formalize these insights and develop testable hypotheses. The final section uses data on ninety-nine cases of post-1945 economic sanctions to test the central hypotheses—that self-imposed costs and international institutions will increase the level of international cooperation. Because measurement of the dependent variable is problematic, I develop statistical models using two different proxies for cooperation. The results of these two models are consistent with one another and with the hypotheses developed here. In every case costs and institutions have a strong positive relationship with the level of cooperation achieved. Thus, the results support the notion that credibility is a central problem in the organization of cooperation on sanctions and that costly measures accompany credible commitments by the leading sender. These findings suggest that international institutions can promote cooperation by establishing credible issue-linkages in situations with heterogeneous actors.

The Sanctions Problem

Analysts of economic sanctions have often pointed to the importance gaining international cooperation if sanctions are to work.[2] The reaso ing behind this proposition is straightforward. States considering the u of export sanctions rarely have unilateral control over the goods th wish to deny to the target. Likewise, for states considering import san tions, only a monopsonist would be able to deny a market to the targ without international cooperation. Many unsuccessful cases, such as U. sanctions against Cuba or attempts to impose a grain embargo again the Soviet Union in 1980, are attributed to a failure to gain internation cooperation. Unilateral sanctions may force the target to bear some tra sition costs as it finds new trading partners; it may have to pay high prices for imports or accept lower prices for exports. Unless states achie a significant level of international cooperation, however, market forc tend to make these effects transient and small in size.

Thus, states considering the use of economic sanctions attempt to ge erate support and promises of complementary actions from other pote tial sanctioners. The process of organizing multilateral sanctions typ cally occurs under conditions of significant asymmetry of interes among potential sanctioners, with one state having a strong interest i seeing sanctions imposed and thus assuming an entrepreneurial role i organizing the multilateral effort. In the most comprehensive study economic sanctions to date, Hufbauer, Schott, and Elliott have clearl identified a "leading sender" in each of the more than one hundred cas they study.[3] While the leading sender attempts to organize sanction other states often appear willing to free ride on its efforts and need ex tensive persuasion before they will agree to cooperate. This cooperatio problem diverges significantly from the symmetrical Prisoners' Dilemm or coordination problems assumed in many theories of international co operation.

A number of factors give rise to an asymmetry of interests betwee the leading sender and other potential sanctioners. Particularly betwee 1945 and 1989, many cases of sanctions arose in the context of the East West conflict and thus took on the character of a conflict between NATO

[2] Klaus Knorr, "International Economic Leverage and Its Uses," in Knorr and Frank N. Trager, eds., *Economic Issues and National Security* (Lawrence: University Press of Kansas 1977); Robert L. Paarlberg, "Food, Oil, and Coercive Resource Power," *International Security* 3 (Fall 1978); Otto Wolff von Amerongen, "Economic Sanctions as a Foreign Policy Tool?" *International Security* 5 (Fall 1980).

[3] Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered: History and Current Policy*, 2d ed., 2 vols. (Washington, D.C.: Institute for International Economics, 1990).

and the Warsaw Pact. In this situation, the United States in its role as the leader of the NATO alliance faced high incentives to take the lead in confronting Moscow. Having the highest level of military commitment to NATO, low levels of trade with the Soviet bloc, and a unique position within cold war institutions such as NATO, Washington had little choice but to respond to perceived Soviet provocations. Domestic political pressures sometimes further pushed the government to take an active stance.[4]

In cases of sanctions outside the East-West context, other contingencies gave rise to similar asymmetries in the pattern of interests. Some of these cases, such as the sanctions directed by Britain against Argentina during the Falklands War of 1982, arose from former colonial associations.[5] Others took place in the context of regional rivalry, where neighbors or regional hegemons felt forced to respond. Indonesian sanctions against Malaysia in the 1960s illustrate regional power considerations.[6] In other cases, the leading sender responded to a specific provocation, such as expropriation of property, or to domestic demands for action, as in U.S. sanctions against Latin America in response to human rights violations.[7] Empirically, we find that this asymmetry of interests, with one state taking the lead in implementing and organizing sanctions, is a robust pattern.[8] For the reasons discussed above, the leading sender will prefer multilateral to unilateral sanctions. However, even without international cooperation, the leader may be prepared to act, preferring unilateral sanctions to none at all.[9]

The last decade has seen the growth of a large literature on international cooperation. A predominant strand in this literature, labeled "neoliberalism," focuses on the collective action problems faced by states and the structural conditions that facilitate solutions of such problems.[10] Neo-

[4] See Alan P. Dobson, "The Kennedy Administration and Economic Warfare against Communism," *International Affairs* (Autumn 1988); Paula Stern, *Water's Edge* (Westport, Conn.: Greenwood Press, 1979); Alexander Haig, *Caveat: Reagan, Realism, and Foreign Policy* (New York: Macmillan, 1984), 248–52.

[5] Lisa L. Martin, "Institutions and Cooperation: Sanctions during the Falkland Islands Conflict," *International Security* 16 (Spring 1992).

[6] Hufbauer, Schott, and Elliott (fn. 3), 2:247–59.

[7] Lars Schoultz, *Human Rights and United States Policy toward Latin America* (Princeton: Princeton University Press, 1981), chaps. 5–7.

[8] This result may be due in part to selection bias that results from only examining realized cases of economic sanctions. There may have been cases in which such asymmetry did not obtain, no state took the lead in imposing sanctions (in hopes that someone else would), and no sanctions were imposed. Given this kind of collective action problem, it is possible that sanctions never get organized without a leading sender even if they are Pareto-superior to no action. If this is so, situations without a leading sender will never make it into a data set on economic sanctions, which yields the empirical pattern found in studies of sanctions.

[9] Baldwin (fn. 1), 174–89.

[10] Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984); Kenneth A. Oye, ed., *Cooperation under*

liberal theories, which emphasize the role of international institutions, common interests, and uncertainty, developed in response to the perceived failure of the major realist explanation of international cooperation—hegemonic stability theory.[11] Realists have responded by elaborating an approach to international cooperation that focuses on power, the possibility of conflict, and distributional issues.[12] On economic sanctions, states do not appear to have a symmetrical pattern of interests, with similar preference orderings, that would allow them to achieve mutual gains assumed by most neoliberal theories. Instead, the fact that the leader has a dominant strategy creates problems of issue-linkage and credibility, the kinds of problems traditionally found in realist analyses. I do not argue, however, that relative gains or other distributional conflicts explain patterns of cooperation on economic sanctions. Rather, I focus on factors that allow states to establish credibility.[13]

Theoretically, we can begin to understand the dynamics of international cooperation on economic sanctions by considering dichotomous decisions about whether to impose sanctions made by each of two states, a leading sender (State A) and another potential sanctioner (State B). After this initial decision, they have to consider what kind of sanctions to impose, for what duration, and so on. Recognizing that states prefer cooperation to unilateral action for the reasons discussed above, we can put restrictions on the preference orderings for each state. First, it is

Anarchy (Princeton: Princeton University Press, 1986); Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984); Stephen D. Krasner, ed., *International Regimes* (Ithaca, N.Y.: Cornell University Press, 1983); Arthur A. Stein, *Why Nations Cooperate: Circumstance and Choice in International Relations* (Ithaca, N.Y.: Cornell University Press, 1990). For a review of the literature on cooperation, see Helen Milner, "International Theories of Cooperation among Nations: Strengths and Weaknesses," *World Politics* 44 (April 1992).

[11] Charles P. Kindleberger, *The World in Depression, 1929–1939* (Berkeley: University of California Press, 1973); Stephen D. Krasner, "State Power and the Structure of International Trade," *World Politics* 28 (April 1976); Robert O. Keohane, "The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967–1977," in Ole Holsti et al., *Change in the International System* (Boulder, Colo.: Westview Press, 1980); Duncan Snidal, "The Limits of Hegemonic Stability Theory," *International Organization* 39 (Autumn 1985); Bruce Russett, "The Mysterious Case of Vanishing Hegemony: Or, Is Mark Twain Really Dead?" *International Organization* 39 (Spring 1985).

[12] Joseph M. Grieco, *Cooperation among Nations: Europe, America, and Non-Tariff Barriers to Trade* (Ithaca, N.Y.: Cornell University Press, 1990); Stephen D. Krasner, "Global Communications and National Power: Life on the Pareto Frontier," *World Politics* 43 (April 1991).

[13] In addition to the work of political scientists on credibility, there is a large economic literature on this subject. See, e.g., Michael Spence, *Market Signaling* (Cambridge: Harvard University Press, 1974); Torsten Persson and Guido Tabellini, *Macroeconomic Policy, Credibility and Politics* (New York: Harwood Academic Publishers, 1990); Alberto Alesina, "Credibility and Policy Convergence in a Two-Party System with Rational Voters," *American Economic Review* 78 (September 1988); David M. Kreps, "Corporate Culture and Economic Theory," in James E. Alt and Kenneth A. Shepsle, eds., *Perspectives on Positive Political Economy* (New York: Cambridge University Press, 1990).

reasonable to assume that whatever its own decision, each state wants the other to impose sanctions. Thus, each prefers bilateral sanctions to unilateral sanctions, and free riding to no action. Second, at least one of the two—the leading sender—prefers bilateral sanctions to none at all. These restrictions rule out certain types of games, such as coordination games.[14] I assume that State A, the leading sender, prefers to free ride over acting alone, letting State B act unilaterally. However, A has a dominant strategy to sanction due to its preference for bilateral sanctions and reluctance to let the crisis pass without any action. So while in the abstract it is possible for neither A nor B to impose sanctions, I consider only cases where at least one will.

Given State A's dominant strategy, State B finds itself in a happy position. B, as a potential sanctioner, wants to see some action taken but prefers to avoid bearing the cost of sanctions; it is quite happy to free ride on State A's efforts. Given this configuration of interests, and knowing that State A will sanction regardless of B's actions, State B can achieve its highest possible payoff by simply refusing to impose sanctions. The leading sender finds itself imposing unilateral sanctions, even though it would prefer bilateral action or free riding on B's efforts.[15] However, within the isolated context of the sanctions game, A cannot credibly threaten to make its actions contingent on B's cooperation. State A's dominant strategy to impose sanctions means that regardless of how B acts, A is better off sanctioning than not. Thus, the only way for A to gain B's cooperation is to change the nature of the game through issue-linkage so that B will come to prefer bilateral sanctions to free riding.

Issue-linkage to convince B to impose sanctions can take one of two forms. One is the use of side payments or inducements.[16] With this tactic, State A attempts to increase B's payoff from bilateral sanctions sufficiently that B prefers cooperation to free riding, thus making bilateral sanctions an equilibrium. Essentially, side payments involve a transfer of benefits from State A to State B. In this way A achieves the preferred outcome of bilateral sanctions, but at a price. These benefits must be contingent on B's cooperation. During the course of sanctions against Iraq, we find significant use of this tactic with the United States offering

[14] Lisa L. Martin, *Coercive Cooperation: Explaining Multilateral Economic Sanctions* (Princeton: Princeton University Press, 1992), chap. 2.

[15] Arthur A. Stein, "The Politics of Linkage," *World Politics* 33 (October 1980).

[16] Robert D. Tollison and Thomas D. Willett, "An Economic Theory of Mutually Advantageous Issue Linkage in International Negotiations," *International Organization* 33 (Autumn 1979); James K. Sebenius, "Negotiation Arithmetic: Adding and Subtracting Issues and Parties," *International Organization* 37 (Spring 1983).

reluctant states, such as Jordan and Egypt, goods such as debt relief an attempt to enhance the level of cooperation.

Threats constitute the second type of tactical issue-linkage that co be used to gain B's cooperation.[17] In the language of economic sanctio these threats are called countersanctions. State A uses them to decre B's payoff from free riding to the level where B prefers bilateral sa tions. Carrying out such threats is costly for State A as well as for St B. Threats differ from side payments in that they are carried out if refuses to cooperate, and they do not improve B's welfare.[18] In the c of threats, unlike that of side payments, issue-linkage is not mutua advantageous but instead leaves B aggrieved. However, State A may p fer this tactic because if it is successful, threats do not have to be carri out. Thus, they can be a cheaper means of gaining B's compliance. In t 1982 pipeline crisis, the United States relied on threats of countersar tions to gain European cooperation. It declared that it would blackl any firms that did not comply with the U.S. embargo.

Whether State A chooses to use side payments or threats, the credib ity of this tactical issue-linkage is central to B's response.[19] State B, und pressure to impose sanctions it would prefer to avoid, must assess A commitment to carry out threats or come through with side paymen Since either is costly, and B's cooperation rarely coincides with the in plementation of promises or threats, A would prefer to gain B's coope ation and then renege on the issue-linkage. Beyond this incentive f defection, other factors intensify the credibility problem. Often, A r quires a domestic political consensus to provide inducements or carry o threats. For example, when a U.S. president threatens countersanctio or promises increases in foreign assistance, these linkages either requi legislation or can be overridden by legislative action. Thus, without co gressional support, the administration may be subject to "involunta defection."[20] This occurred in the 1982 pipeline crisis, as Congress mad it clear that it was not willing to bear the costs of President Reagan threatened trade war with Europe.[21]

[17] Kenneth A. Oye, "The Domain of Choice: International Constraints and Carter Administration Foreign Policy," in Oye, Donald Rothchild, and Robert J. Lieber, eds., *Eagl Entangled: U.S. Foreign Policy in a Complex World* (New York: Longman, 1979).

[18] Robert Axelrod and Robert O. Keohane, "Achieving Cooperation under Anarch Strategies and Institutions," in Oye (fn. 10), 240.

[19] Ibid.; Thomas C. Schelling, *The Strategy of Conflict* (New York: Oxford Universit Press, 1960), 31–32; Ernst B. Haas, "Why Collaborate? Issue-Linkage and International Re gimes," *World Politics* 32 (April 1980), 372.

[20] Robert D. Putnam, "Diplomacy and Domestic Politics," *International Organization* 4 (Summer 1988).

[21] Firms lobbied their representatives heavily to decrease the stringency of sanctions, which suggests that escalating the conflict to a trade war would not receive legislative support. In

The problems of delays in carrying out threats and promises and the need for political approval create a credibility problem about the leading sender's commitment to issue-linkages. In order to gain B's cooperation, A must rely on some kind of commitment mechanism. In the domestic context, considerations of reputation and repeated play often make such commitment among domestic actors relatively easy, as the prevalence of logrolling behavior in legislative bodies demonstrates. However, the international context lacks the infrastructure of strong institutions and rule-governed behavior, which makes credible commitments more difficult to establish. In the following section, I argue that taking steps that would force the leading sender to bear audience costs if it reneges constitutes a potential commitment mechanism in international politics, but one that is available only under specific conditions.

Audience Costs and Credibility

In attempting to convince other potential sanctioners to cooperate in imposing sanctions rather than to free ride, the leading sender has to demonstrate a credible commitment to the threats and/or promises it uses to change the nature of the game. A viable commitment mechanism will raise A's costs of reneging on threats or promises, so that A will bear the costs of side payments or countersanctions. In many cases, the high cost of reneging is a function of domestic support for sanctions and a willingness by the relevant veto groups to bear costs. Here, I argue that two mechanisms that accompany credible commitments are the initial imposition of high-cost sanctions and the use of international institutions. Each of these mechanisms enhances the leading sender's credibility by increasing the "audience costs," that is, the domestic political costs or loss of reputation in international settings that it would have to bear if it failed to make good on threats or promises.[22]

The following discussion and model are purely a commitment story; they analyze both the conditions under which the leading sender's threats are credible and the equilibrium strategies and outcomes in a commitment game. Thus, the analysis assumes complete information on

fact, bills were introduced calling for an end to the unilateral U.S. measures. See *Congressional Record*, 97th Cong., 2d sess., July 22, 1982, p. E3429; *Congressional Quarterly*, August 14, 1982, p. 1961; *Congressional Record*, 97th Cong., 2d sess., September 29, 1982, pp. H7927–30; *Congressional Quarterly*, October 2, 1982, p. 2467.

[22] For a rigorous development of a similar argument about audience costs in the context of deterrence and the original development of the concept of audience costs, see James D. Fearon, "Deterrence and the Spiral Model: The Role of Costly Signals in Crisis Bargaining" (Paper presented at the annual meeting of the American Political Science Association, San Francisco, August 30–September 2, 1990).

the part of both the leading sender and another potential sanctioner. What follows is development and solution of a complete information commitment game, not a signaling game. Because the second player knows precisely the leading sender's payoffs from different types of sanctions, countersanctions, and audience costs, the leading sender cannot bluff or try to send signals about its willingness to carry through with threats. Instead, this willingness is common knowledge and determined by the relationship between audience costs and the costs of countersanctions, as explained below. While signaling games could give rise to propositions consistent with those developed and tested here, I find the complete information commitment game a more useful tool since it leads to precise, testable empirical hypotheses.

The leading sender plays simultaneously to both domestic and international audiences. On the domestic level, the costliness of sanctions initially imposed reduces the incentives to back down from issue-linkages. Assume that the leading sender is the United States and that the president is attempting to gain the cooperation of other countries by threatening countersanctions. To carry out such threats, the president will have to obtain the acquiescence of Congress and possibly of other groups as well. When the president initially imposes sanctions against the target, the options include many types of sanctions, with widely varying costs. Some sanctions, such as purely symbolic moves or reducing foreign aid, are costless or may actually incur negative costs. Cutting foreign aid, for example, saves the leading sender some money. On the other end of the scale, some sanctions are quite expensive. The grain embargo against the Soviet Union, for example, was very costly for American farmers, and the government compensated them.[23] By contrast, the costs of the pipeline sanctions in 1982 fell on just a few firms, which did not receive similar compensation.

The initial use of sanctions has domestic consequences that vary with the nature of those sanctions. Imposition of high-cost sanctions involves a significant exertion of political leverage—that is, the expenditure of a lot of political capital—to forge a domestic coalition in support of them. This refers especially to Congress if the United States is the leading sender.[24] The imposition of symbolic or low-cost sanctions will, by contrast, face much lower resistance and therefore not require as much active support. In the process of imposing costly sanctions, the administration must convince skeptics that sanctions are worth the cost. To this end

[23] Paarlberg (fn. 2).

[24] Barry E. Carter, *International Economic Sanctions: Improving the Haphazard U.S. Legal Regime* (New York: Cambridge University Press, 1988), 3.

it must advance credible arguments that the target's actions are egregious or threatening enough to warrant a vigorous response. Building a domestic coalition for costly sanctions also requires convincing the groups that bear the costs that international cooperation will be forthcoming. Exporters, for example, will be especially unwilling to assume those costs if other countries are thereby given an opportunity to claim markets in the target.

These considerations imply that the process of building domestic support for costly sanctions is one that cannot be reversed without political costs. An administration that justifies the use of costly sanctions by going to great lengths to persuade reluctant legislators and economic actors that vital interests are at stake will face high domestic costs if it then backs down from threats of countersanctions. Having committed itself to a particular policy, such reneging would call into question its initial arguments and damage its reputation. Thus, because the process of building such domestic support increases the costs of reneging, it also enhances the credibility of threats and promises used against other countries. If the administration is unable to build a coalition in support of costly sanctions, the credibility of threats to carry out costly countersanctions or make good on promises of side payments is severely undermined.

In a recent analysis of leadership in the formation of international regimes, Oran Young has similarly noted the role of domestic coalitions in creating credible leadership.[25] Arguments about the relationship between costs and credibility are a staple of the literature on security affairs, particularly the study of deterrence.[26] Thomas Schelling, in particular, has pointed out that in international politics actions speak louder than words precisely because actions involve incurring some cost, thus making them irrevocable.[27] Merely declaring one's commitment to a particular course of action carries little weight with other governments.[28] However, a course of action that actually imposes costs on the government indicates resolve.[29] According to David Baldwin, this logic suggests that economic

[25] Oran R. Young, "Political Leadership and Regime Formation: On the Development of Institutions in International Society," *International Organization* 45 (Summer 1991), 291–92.

[26] Fearon (fn. 22).

[27] Thomas C. Schelling, *Arms and Influence* (New Haven: Yale University Press, 1966), 150.

[28] However, when state interests are not as conflictual as in the case under consideration here, "cheap talk" may have a significant effect on outcomes. See James D. Morrow, "Modeling International Regimes" (Paper presented at the annual meeting of the American Political Science Association, San Francisco, August 30–September 2, 1990).

[29] The model developed here focuses on a rational-choice approach to costs and credibility. This subject has also received attention from those adopting a psychological approach. See Robert Jervis, *The Logic of Images in International Relations* (Princeton: Princeton University Press, 1970); Deborah Welch Larson, "Order under Anarchy: The Emergence of Convention

By reducing incentives to change policies in midstream, the public, long-term forum of an institution thus increases audience costs. Charles Lipson has argued that formal agreements are more reliable than informal ones precisely because they involve a state's reputation.[35] Taking sanctions to such a forum involves a public commitment to action by the leading sender: having taken this step, its reputation within the institution would be damaged by backing down. As Robert Keohane has noted, by "rais[ing] the costs of deception and irresponsibility," institutions allow states to make credible commitments.[36] This effect results from the array of issue-linkages generated by international institutions. These structures provide benefits to states across a range of issues, and these benefits depend on members demonstrating that they can be trusted to live up to their institutional commitments. Once the leading sender has made a public institutional commitment to sanctions and countersanctions or side payments, reversing this policy would tend to decrease the level of benefits derived from other dimensions of the institution. In this way, an institutional commitment will reduce the leading sender's incentives to reverse course and hence will enhance its credibility.

Thus, to the extent that they perform some of the functions recognized by analysts of international regimes, institutions can increase the leading sender's credibility. Regime theorists have noted that once these structures are in place, they can increase members' influence over the behavior of others.[37] Work in economics supports this observation, by recognizing the role of institutions in establishing commitment and reducing incentives to renege on agreements. Thomas Schelling has argued that in order to establish credibility, states require "an occasion, an object, and a means of communication."[38] In the context of multilateral economic sanctions, institutions fulfill these functions. Like the process of imposing high-cost sanctions against the target, the process of generating the approval of an international institution for sanctions raises the future costs of reneging. In thus reducing the incentives to renege, the process makes commitments to tactical issue-linkages credible. These effects can be summarized by noting the impact of domestic and international audience costs on the leading sender's incentives. The next section uses a simple extensive-form game (1) to formalize the impact of audi-

[35] Charles Lipson, "Why Are Some International Agreements Informal?" *International Organization* 45 (Autumn 1991), 509. See also Baldwin (fn. 1), 108.

[36] Keohane (fn. 10), 97.

[37] Stephen D. Krasner, "Regimes and the Limits of Realism: Regimes as Autonomous Variables," in Krasner (fn. 10), 364; Robert O. Keohane and Joseph S. Nye, *Power and Interdependence* (Boston: Little, Brown, 1977), 55.

[38] Schelling (fn. 19), 51.

ence costs on the level of cooperation achieved under the strategic conditions discussed here and (2) to generate testable hypotheses.

THE BILATERAL SANCTIONS GAME

Figure 1 illustrates the sanctions game. The first player and leading sender, State A, begins by deciding whether to adopt a low-cost or high-cost strategy. Since State A's dominant strategy is to impose sanctions, the only decision is what type of sanctions to impose. In this framework, a low-cost strategy would involve imposing low-cost sanctions, such as symbolic moves, embargoes on imports of luxury goods, and reductions in foreign aid. Such moves usually encounter little domestic resistance and do not require extensive coalition building by those who favor sanctions. In addition, a low-cost strategy means that the leading sender does not expend the necessary effort to gain the support of an international institution for sanctions. Such efforts are generally costly and difficult, as was demonstrated by U.S. attempts to introduce human rights concerns into the deliberations of multilateral development banks.[39]

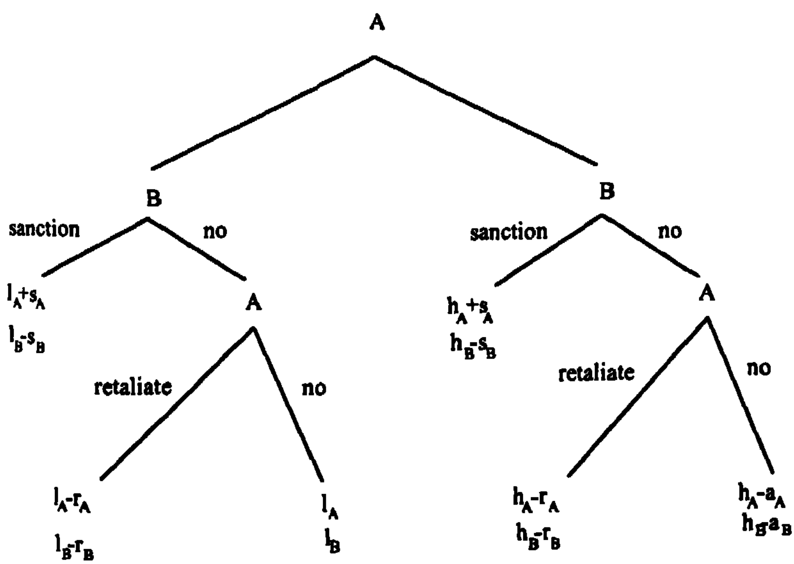


FIGURE 1
THE COUNTERSANCTIONS GAME

[39] Jonathan E. Sanford, *U.S. Policy and the Multilateral Banks: Politicization and Effectiveness*, Staff Report to the U.S. Senate Foreign Relations Subcommittee on Foreign Assistance, May 1977; Schoultz (fn. 7), chap. 7.

State B moves next and decides whether to impose sanctions. A in sanctions, the game ends here. If B does not impose sancti A decides whether to impose countersanctions.[40] If A retaliatc and B bear costs of retaliation. If, however, A takes the high-in the first round and does not retaliate, then it bears audienc Figure 1, h represents the payoff to each player when A choc cost sanctions, and l represents the payoff for low-cost sanct benefits or costs of State B's sanctions are given by s. The costs ation are given by r, and the audience costs by a.

Drawing on the above analysis, we can impose reasonable c on the ordering of these payoffs. State A, being the leading se rives high benefits from bilateral sanctions. Thus, the payoff fr eral sanctions ($h_A + s_A$) is greater than the payoff from unilatera sanctions (l_A). I also assume that audience costs are significant, s payoff from refusing to retaliate once a high-cost strategy adopted ($h_A - a_A$) is lower than the payoff from unilateral low-tions. Together, these conditions imply that $h_A + s_A > l_A > h_A$ State B, I assume that the threatened countersanctions would costly than cooperation, so that $r_B > s_B$. Thus, if A's threat is c will prefer to impose sanctions. B prefers to free ride but loses carries out countersanctions than if it (B) imposes sanctions.

This game has two equilibria, depending on State A's audi and the costs of retaliation against B. If retaliation is more costl audience costs A would have to bear from reneging ($r_A > a_A$) cannot credibly threaten to retaliate even if it has imposed sanctions in its first move. Therefore, B will not cooperate if this case, the only equilibrium is for A to adopt a low-cost str for B to refuse to cooperate. State A has no incentive to impose sanctions, since it would then be forced to bear audience c $l_A > h_A - a_A$. In this equilibrium, which results when the costs of out countersanctions would be high, we expect to see a low-cos by the leading sender—low-cost sanctions and no use of inte institutions—and no cooperation from State B.

A second equilibrium results when the relation between costs and retaliation costs is reversed. In this case, where reta relatively cheap ($a_A > r_A$), State A's threats of countersanctions ble. Knowing this, and given the fact that State B would lose m countersanctions than by cooperating, B also imposes sanctio when audience costs are greater than retaliation costs, the eq

[40] This game could also be modeled with State A deciding whether to make sic if B does impose sanctions. The equilibria are similar to those in this threat gam

outcome is for State A to impose high-cost sanctions and for State B to cooperate. The outcome with low-cost sanctions and no cooperation is not an equilibrium when audience costs are higher than the cost of countersanctions. If A were to choose low-cost sanctions, it would incur no audience costs from reneging. Knowing this, B will never cooperate when A chooses low-cost sanctions. Therefore, when the costs of countersanctions are relatively low, A will maximize its payoff by imposing high-cost sanctions so as to gain B's cooperation. We also see that in equilibrium retaliation is never actually carried out.[41]

Overall, we find two equilibria in the commitment game. In the first, by imposing high-cost sanctions and/or using international institutions, the leading sender undertakes a high-cost strategy and gains the cooperation of the other potential sanctioner. In the second, the leading sender adopts a low-cost strategy and does not gain the cooperation of others. The choice between the two depends on the relationship between audience costs and the costs of retaliation. The results suggest that in looking at cases of economic sanctions, we should find a high correlation between high-cost strategies, such as bearing high domestic costs and using institutions, and the level of cooperation actually achieved. If the model here captures the fundamental dynamics of cooperation on economic sanctions, we should find relatively few cases where a low-cost strategy coincides with cooperation, or where retaliatory threats are actually carried out. One case in which the United States apparently came close to carrying out threats was the 1982 pipeline crisis mentioned above. In this case, when European firms refused to comply, the Reagan administration blacklisted some of them. However, when blacklisting did not induce other firms to cooperate, the administration backed down and dropped countersanctions.[42] In the next section, I present an empirical test of the model based on data from post-1945 cases of economic sanctions.

Testing the Impact of Costs and Institutions

If the analysis of the above sections is correct, states can use self-imposed costs and international institutions to increase audience costs and thus make credible commitments. In equilibrium, we should see an increase in the level of international cooperation when the leading sender bears

[41] This is one conclusion that clearly differs from what we would find in a signaling game. With incomplete information, one usually finds some equilibria that include the carrying out of threats.

[42] *New York Times*, September 1, 1982, p. A1.

high costs and when sanctions have been organized within the confines of an institution. This section subjects these hypotheses to a preliminary test by looking for aggregate relationships between these factors and the level of cooperation in ninety-nine post-1945 cases of economic sanctions.

For this analysis, I use data collected primarily by Hufbauer, Schott, and Elliott. They use these data—covering virtually all cases of economic sanctions for the end of World War II through 1989—to explain the impact of sanctions on target country policies.[43] For the purposes of this analysis, in which cooperation is the dependent variable, I eliminate two cases from their data set, sanctions against Rhodesia and South Africa. These two cases are extreme outliers that exhibit a much higher level of cooperation than any other case in this period. Elimination of these cases is justified not because of their score on the dependent variable but because they are substantively unique: both involve global protests against white minority rule, in which international consensus far exceeded that on other issues that have led to sanctions. Inclusion of these two cases has a strong effect on the results. In particular, when we include Rhodesia and South Africa we find that the impact of institutions is much larger than when these two cases are eliminated.

We are interested in two independent variables: institutions and the costs borne by the leading sender. Hufbauer, Schott, and Elliott have coded the level of costs in each of their cases, assigning each a value ranging from 1, sanctions that actually result in a net economic benefit for the leading sender, to 4, sanctions that involve very high costs. Sanctions coded COST = 1 typically involve the cutoff or reduction of foreign economic or military assistance to the target, steps that cost the leading sender nothing. A value of COST = 4 might be assigned, for example, to sanctions that involved an oil embargo or other significant reduction in vital economic relations with the target.

[43] Although it is the most comprehensive descriptive study of sanctions to date, *Economic Sanctions Reconsidered* (fn. 3) has been criticized for some of its methods. Other students of economic sanctions have questioned in particular the definition and measurement of success. Hufbauer, Schott, and Elliott define success narrowly as a desired policy change in the target country; they constructed a 16-point scale that captures varying degrees of success. Baldwin, for one, disagrees with this definition; see Baldwin (fn. 1), 130–34. The 16–point scale also takes into account the contribution of sanctions to the observed change in policy, which perhaps is better left as a separate variable. *Economic Sanctions Reconsidered* also exhibits some weaknesses from a statistical perspective. Because the 16-point success scale is constructed by the multiplication of two 4-point scales, it is impossible for any case to achieve certain values, such as 7, 13, 14, and so forth. The results also do not meet the usual standards of statistical significance and examine only bivariate rather than multivariate relationships, so that correlations among the independent variables make the observed relationships unreliable. In this study, I do not use the success score but use only Hufbauer, Schott, and Elliott's measures of some independent variables, along with additional variables added to their data set. I also develop statistical techniques appropriate for the kinds of data used, rather than relying on bivariate correlations.

Thus, COST appears to be a good measure of the concept we are interested in testing, the self-imposed costs of sanctions to the leading sender.[44] However, we face one difficulty in using COST in this form—it is an ordinal-level rather than interval-level variable. The models used here assume that the independent variables are measured at an interval level, at a minimum. Thus, I have recoded COST to make it a dichotomous variable, COSTD, by combining the categories COST = 2, 3, and 4 into one. COSTD = 1 now reflects cases in which the leading sender bore negative or negligible costs, while COSTD = 2 reflects cases where sanctions imposed at least minimal costs on the leading sender.

The other independent variable I wish to test is the involvement of international institutions. I have created the variable INST to measure this dimension. INST is a dummy variable, with INST = 0 if no international organization called on its members to impose sanctions, and INST = 1 if some organization did. This variable clearly does not capture many of the dimensions of institutionalization of interest, which may be accessible only through detailed case studies. However, it will allow us to make some generalizations about the impact of institutions in the aggregate.

The following analyses control for four other factors that may be expected to have an impact on cooperation on sanctions: international assistance to the target (ASSIST), the political stability and economic health of the target (TARGET), whether the sanctions were imposed across East-West lines (COLDWAR), and the goals of sanctions (GOAL). The coding of these variables is described in the appendix. They are included to control for alternative explanations of cooperation. If common interests resulting from East-West competition or assistance to the target account for cooperation, COLDWAR or ASSIST should have significant effects. Likewise, if cooperation is simply a function of the demand for multilateral action, GOAL and TARGET should have an impact.

The next problem is to develop a measure of international cooperation that is applicable across the array of cases in this data set. Although the last few years have seen the development of an extensive literature on international cooperation, this work lacks attempts to operationalize cooperation in ways that fit more than a few specific cases. Here, I suggest two potential measures of cooperation. Each has its strong points as well as its weaknesses, and neither is a perfect measure of cooperation. Thus, rather than relying on just one measure, I develop statistical models appropriate for the analysis of each, assuming that these measurements are

[44] Note that COST is not intended as a direct measure of audience costs. Instead, it is an indicator of the strategy adopted by the leading sender, with higher levels of COST indicating a higher-cost strategy. This is assumed to lead to higher audience costs in case of reneging.

different realizations of an unobservable variable. In spite of the inherent difficulties of measurement, therefore, consistent results across the different models should increase our confidence in their validity.

Hufbauer, Schott, and Elliott have developed one measure of cooperation. They assign each sanctions episode a cooperation score, which can range from 1, indicating no cooperation, to 4, for significant international cooperation.[45] "No cooperation" means that only one country imposes sanctions. Many instances of U.S. sanctions against Latin American countries, such as Paraguay from 1977 to 1981, exemplify a cooperation score of 1. A value of 2 indicates "minor cooperation," typically meaning that the major sender is able to get some rhetorical support and possibly symbolic measures from other countries. The 1982 pipeline sanctions receive a score of 2. Hufbauer, Schott, and Elliott code "modest cooperation" as a 3, indicating that more than one state has imposed actual economic restraints but that they are limited in scope and duration. U.S. sanctions against Iran in 1979 over the taking of hostages receive a score of 3. Finally, a cooperation value of 4 indicates "significant cooperation," in which important trading partners of the target endeavor to restrict trade to a major degree, although enforcement of sanctions may not be perfect. The early years of CoCom, when the United States and its allies were pursuing a form of economic warfare against the Soviet Union, illustrates a case with a cooperation score of 4. I call this variable COOP.

COOP is a reasonable measure of cooperation that is susceptible to analysis with ordinal probit techniques. However, one of its drawbacks is that it is somewhat subjective. A more objective measure of cooperation might be simply a count of the number of countries imposing sanctions. I call this variable NUMBER, and use a variation of Poisson regression to analyze it. NUMBER is not a perfect measure of cooperation, since countries are not equally significant when it comes to their contribution to a multilateral effort. However, if the results from this independent measure of cooperation are consistent with those from COOP, they are clearly robust. In addition, this variable allows us to explore one other dimension of the sanctions problem, the contingent nature of decisions to cooperate.

Ordered Probit Analysis

The first analysis uses COOP as the measure of cooperation. COOP is an ordinal variable, reflecting an order but not an interval-level measurement. An appropriate method for analyzing a variable of this type, such

[45] Hufbauer, Schott, and Elliott (fn. 3), 1:35.

as COOP, is ordered probit analysis.[46] Ordered probit analysis estimates threshold values for the points at which the underlying continuum of cooperation is divided into categories and produces estimates of the placement of each case on this unobserved cooperation scale. Table 1 presents the results of the ordered probit model.

I have marked coefficients significant at the .05 level with an asterisk. The coefficients of COSTD and INST are positive, as expected, and statistically significant at the .05 level. This indicates that increases in the cost to the major sender lead to greater cooperation, as does the involvement of an international institution. These findings are what we expect from the above discussion and analysis. When the leading sender bears high costs or gains the approval of an international institution, the level of cooperation it achieves increases significantly. This is the pattern we would expect if the leading sender needs to establish credibility through creating the potential for high audience costs in order to convince other countries to cooperate.

Table 2 presents fitted values for various combinations of COSTD and INST, holding COLDWAR and ASSIST fixed at 1, TARGET at 2, and GOAL at 0.[47]

TABLE 1
ORDINAL PROBIT ANALYSIS
(COOP AS DEPENDENT VARIABLE)

Independent Variable[a]	*Estimated Coefficient*	*Standard Error*	*t-Statistic*
Constant	−1.15	0.482	−2.39
COLDWAR	0.404	0.290	1.39
ASSIST*	0.946	0.304	3.12
TARGET	−0.190	0.183	−1.04
COSTD*	0.641	0.302	2.12
INST*	1.68	0.297	5.66
GOAL	−0.439	0.271	−1.62
Thresh 1*	1.05	0.175	5.99
Thresh 2*	2.47	0.306	8.07
Log Likelihood	−86.3		
Percent Correctly Predicted	62.6		
Number of Observations	99		

[a] Asterisks indicate variables statistically significant with $p < .05$.

[46] Richard McKelvey and William Zavoina, "A Statistical Model for the Analysis of Ordinal Dependent Variables," *Journal of Mathematical Sociology* 4, no. 1 (1975).

[47] Ordered probit assumes that the dependent variable, cooperation, is an unobserved linear function of the independent variables. While the precise level of cooperation is unobserved, ordered probit assumes that we can split the cooperation continuum into four parts

TABLE 2
FITTED VALUES
(PROBIT MODEL)

COSTD	INST	*Fitted Value*	COOP
1	0	−0.461	2
1	1	2.14	3
2	0	1.10	3
2	1	2.78	4

As these results show, both costs and institutions have a significant positive impact on cooperation as measured by COOP. INST appears to have a larger substantive impact, increasing the expected level of cooperation by 1.68 points, while COSTD increases cooperation by 0.641 points. Overall, they support the hypotheses about the factors that enhance credibility and therefore cooperation.

EVENT COUNT ANALYSIS

Above, I proposed a straightforward count of the number of countries imposing sanctions as a possible measure of cooperation. Analyzed in isolation, NUMBER is probably not an adequate direct measure of cooperation; it does seem plausible, however, that it is positively correlated with the level of cooperation. Thus, if we think about the process by which NUMBER is generated from an unobservable variable, we can develop a model that uses NUMBER to estimate the underlying level of cooperation. I adopt this approach to develop the event count analysis of this section.[48]

As in the probit analysis, I begin by assuming that there is some unobservable underlying continuous level of cooperation. We could think of cooperation as the rate at which countries decide to impose sanctions, λ. While we cannot directly observe λ, we can count up the number of countries imposing sanctions and use this number as an estimate of the underlying variable. In this framework, the decision to impose sanctions is an event, and the only data we have are the number of events during each sanctions episode.

Researchers have typically estimated event counts using a Poisson dis-

and observe in which of the four each case lies. See Gary King, *Unifying Political Methodology: The Likelihood Theory of Statistical Inference* (New York: Cambridge University Press, 1989), 115–17. Thus, the third column in Table 2 refers to the expected score on the unobserved cooperation scale, while the fourth column translates this score into an expected value for the observed variable COOP.

[48] Gary King, "Event Count Models for International Relations: Generalizations and Applications," *International Studies Quarterly* 33 (June 1989).

tribution. Here, I use a variation of the Poisson distribution, the negative binomial distribution. This distribution differs from the Poisson in that it includes an additional parameter, γ, which measures the amount of "contagion" in the data.[49] The Poisson distribution results from an accumulation of a series of independent events. Formally, this means that the probability of an event occurring at time t + 1 is independent of what has happened up to time t. In this case, a Poisson distribution relies on the assumption that the probability of one country imposing sanctions is independent of the decisions of all other countries. The assumption of independence, which results in the specification of variance equal to λ_t for all observations, is clearly incorrect in this case. In fact, the theoretical framework underlying the hypotheses being tested here assumes strategic interdependence—that states make their decisions based in part on what other states do.

We could think of strategic interdependence as "contagion" among states. Positive contagion resembles a situation of bandwagoning. Here, a decision by one state to impose sanctions will *increase* the probability that others will take a similar step. Likewise, a refusal to sanction will be followed by similar decisions from other states. In repeated trials this process of positive contagion would lead to relatively many cases where an unusually large or small number of states impose sanctions; extreme results would occur more frequently than under independent decision making. In other words, the variance of Y_t (the number of events occurring) will increase, so that $Var(Y_t)>\lambda_t$; in the Poisson, $Var(Y_t)=\lambda_t$. Thus, we set $Var(Y_t)=\lambda_t exp(\gamma)$.[50] Independence of decision making will result in $\gamma=0$ and positive contagion in positive values of γ. The process generating sanctions is specified as:

$$E(Y_t) = \lambda_t = \exp(x_t\beta), \qquad (1)$$

where x_t is a vector of explanatory variables and β is a parameter vector, indicating the effect of each explanatory variable on the underlying rate of cooperation, λ.

The probit model estimated above suffers from one weakness: it did not correct for selection bias present in the data. This bias results from the fact that there are no cases of zero sanctions in the data set. That is, I have not been able to include cases where no country has decided to impose sanctions. This kind of selection on the dependent variable creates a downward bias in the resulting estimates of the effects of explanatory variables. One gets an intuitive sense for why this would be so from

49 King (fn. 47), 218–20.
50 Ibid., 126–29.

a consideration of the impact of INST. It is reasonable to assume that cases where no country imposed sanctions would be positively correlated with the variable INST, since it is unlikely that we would see institutional involvement if no countries imposed sanctions at all. Theoretically, we should expect very few cases in which an international institution called for sanctions but no country imposed them, because the act of getting sanctions on an institution's agenda requires that at least one country have a strong interest in sanctions. Thus, when these "noncases" are excluded from the sample, we will tend to underestimate the actual effect of international institutions.

The negative binomial distribution can be modified to take into account the fact that the data have been truncated at zero, so that the event counts are always positive integers. Table 3 shows the results of the truncated-at-zero negative binomial model.

Gamma has an estimated value of 0.872, indicating that a significant amount of positive contagion is likely to be present in the data. This finding is consistent with a hypothesis that sanctions episodes tend to show bandwagoning behavior, where states jointly decide either to impose or not to impose sanctions. It fits the model developed here, where cooperation is dependent on a credible commitment to economic sanctions by the leading sender. Other potential sanctioners will cooperate only if they believe that the leading sender has a serious commitment to sanctions, reflected in high audience costs of reneging. Thus, we should expect a certain amount of positive contagion. An example may help to clarify the meaning of a positive value for gamma. In the case of inde-

TABLE 3
TRUNCATED NEGATIVE BINOMIAL RESULTS
(NUMBER AS DEPENDENT VARIABLE)

Independent Variable	*Estimated Coefficient*	*Robust Std. Error*	*t-Statistic*
Constant	0.214	0.295	0.725
COLDWAR	0.0326	0.187	0.174
ASSIST*	0.300	0.191	1.57
TARGET	−0.0520	0.102	−0.510
COSTD*	0.351	0.152	2.31
INST*	1.29	0.187	6.90
GOAL	0.0832	0.170	0.489
Gamma*	0.872	0.225	3.88
Log Likelihood	371.03		
Number of Observations	99		

pendence, $\text{Var}(Y_t) = \lambda_t$. Thus, if $E(Y_t)$, the expected number of sanctioning countries for some particular set of circumstances, were 4, the standard deviation of the distribution of Y_t would be the square root of 4, or 2. However, the negative binomial model estimates gamma at .872, so that $\text{Var}(Y_t) = \lambda_t(e^{\gamma}) = 9.57$. The standard deviation of Y_t thus would increase to 3.09, one and a half times greater than for the case of independent decision making. Substantively, this means that strategic independence has increased the variance in the expected number of countries participating in sanctions, making the outcome less predictable than it would have been if states made decisions independently of one another.

COSTD and INST both have significant positive effects, as in the probit model. Table 4 presents fitted values for values of COSTD and INST, holding the other independent variables fixed as above.[51]

As this table shows, if the leading sender bears low costs and does not involve an international institution, we expect approximately one additional country to impose sanctions, for a total expected NUMBER of 2.21. If the leading sender gains the approval of an institution, an additional six countries would be expected to come along, while bearing higher costs would persuade one additional country, on average, to impose sanctions. If the leading sender bears high costs and gets institutional approval, the expected number of sanctioners jumps to over eleven. These results reflect the nonlinear nature of the event count model.[52] The negative binomial model thus supports the results of the probit analysis, by

TABLE 4
FITTED VALUES
(EVENT COUNT MODEL)

COSTD	*INST*	*Expected* NUMBER
1	0	2.21
1	1	8.03
2	0	3.14
2	1	11.4

[51] These values are calculated by substituting the estimated parameters and specified values of COSTD and INST into the systematic component of the negative binomial model as given in Equation 1.

[52] As discussed above, the positive coefficient of gamma indicates positive contagion, thus making precise predictions of the expected number of cooperating countries impossible. This is reflected in large confidence intervals around the expected value of NUMBER. For example, in all cases in Table 4, the lower bound of a 95% confidence interval would include NUMBER = 1. Thus, the fitted values should not be taken as precise estimates but only illustrative of the logic of the event count model. More important for interpretive purposes are the estimated parameter coefficients.

showing that self-imposed costs and international institutions have a positive relationship with cooperation.

Overall, these quantitative results provide strong evidence that cooperation on economic sanctions is positively related to the costs borne by the leading sender and the activities of international institutions. Two different specifications, necessary because of the difficulty of measuring cooperation, gave consistent results to this effect. Thus, we find general support for the model of credibility developed above. Of course, these results are not in themselves conclusive. It remains possible that the causal link between these independent variables and cooperation flows through some channel other than the leading sender's credibility. Such relationships are best examined through more detailed case studies.[53] However, this work provides a complement to such studies by showing the generalizable nature of these effects. In addition, the lack of any relationship between cooperation and the other independent variables controlled for here suggests that the credibility model performs better than alternatives. Cooperation has no relationship to COLDWAR, suggesting that common interests created by East-West competition do not explain cooperation. Lack of significance for TARGET and GOAL suggests that cooperation is not simply a function of the difficulty of the goals of sanctions. States cannot simply achieve cooperation when they need it but must establish credible commitments to the extent they are allowed by the constraints in which they interact.

Conclusion

The concept of credibility has occupied the attention of political scientists and economists in recent years. While theorists of international cooperation have noted credibility problems, their assumptions of symmetrical patterns of state interests do not seem appropriate to many cases of economic sanctions, where one state has a dominant strategy to act and others prefer to free ride. Instead, the sanctions situation is analogous to that studied by Schelling and other analysts of deterrence who have argued that the ability to take costly actions allows states to establish credible commitments. This paper finds that this insight applies to problems of international cooperation as well as to those of deterrence and conflict.

Credibility is as important to gaining international cooperation as it is to the eventual impact of sanctions on their target. The model of sanctions used here considers two states. The leading sender can only gain

[53] Martin (fn. 14), chaps. 5–8.

cooperation if it transforms the sanctions game through issue-linkage, using either threats or promises to change the payoffs of the other potential sanctioner. Regardless of the tactic used, the other potential sanctioner considers whether the leading sender will actually carry out threats or make side payments. One mechanism by which the leading sender can establish a commitment involves increasing the audience costs that it will bear for reneging on threats or promises. The leading sender can increase audience costs on either the domestic or international level by building a coalition in support of stringent sanctions.

Given these conditions, we find two equilibria in a complete information commitment game. In the first, the leading sender imposes low-cost sanctions, does not use institutions, and gains no cooperation. In the second, the leading sender bears high costs and does gain the cooperation of other potential senders. This suggests that we should find a strong positive relationship between the costs of sanctions or the use of institutions and the level of cooperation observed. Data on ninety-nine cases of post-World War II economic sanctions support these hypotheses.

States do not cooperate simply because they have a common interest in doing so. Rather, they build their cooperation on tactical issue-linkages, making credibility of commitments a powerful explanatory variable. Similarly asymmetric patterns of interests are likely to exist in many issue-areas, such as environmental problems including global warming and acid rain. If so, tactical issue-linkages and credibility will be central to successful resolution of some of the most pressing issues facing states today.

Theorists of international relations in general and of international cooperation in particular are engaged in a debate about the value of formal modeling techniques. Formal approaches have the virtue of forcing theorists to consider rigorously their assumptions about the incentives facing actors and the capabilities of those actors, as well as the internal logic of their hypotheses. However, in order to persuade more theorists to use them, formal models must also be shown to lead to clear-cut, empirically testable propositions. In the case of cooperation on sanctions, a formal model of the commitment problem satisfies these criteria and thus should add to the growing evidence that such approaches will contribute to the development of tested, internally consistent bodies of theory.

Appendix: Control Variables

International assistance to the target has been coded by Hufbauer, Schott, and Elliott, with a dummy variable I call ASSIST. ASSIST = 0 indi-

cates that the target did not receive assistance in response to the imposition of sanctions, while ASSIST = 1 indicates that it did. The target received assistance in twenty-three out of ninety-nine cases. Hufbauer, Schott, and Elliott have also developed an indicator of the political stability and economic health of the target. This is a three-category variable I call TARGET. TARGET = 1 indicates that the target of sanctions was undergoing severe domestic stress prior to the imposition of sanctions; TARGET = 2 reflects a more stable, prosperous state, but one with significant problems; and TARGET = 3 indicates that sanctions were directed against a stable, relatively wealthy state. Like COST, TARGET is an ordinal-level variable. However, unlike COST, statistical analyses have shown that recoding TARGET into two dummy variables makes no significant difference in the results. The mean of TARGET in this data set is 2.09.

I include a dummy variable, COLDWAR, designed to reflect the nature of the conflict leading to economic sanctions. If sanctions were imposed by some Western allies on the Soviet bloc, as in the pipeline case, or vice versa, COLDWAR = 1. If not, COLDWAR = 0. For example, British sanctions against Argentina during the Falklands War or U.S. sanctions against Latin America for human rights violations are coded COLDWAR = 0. Twenty-six cases in this data set are coded as cold war cases. Finally, the variable GOAL represents Hufbauer, Schott, and Elliott's assessment of how ambitious the goals of sanctions were. GOAL is a dummy variable coded 0 for sanctions with modest goals, such as settlement of expropriation disputes or minor improvements in human rights conditions. Major goals are coded 1 and include attempts to change governments, reverse or deter military adventures, and so on. Half of the cases here had major goals.

THE POLITICS OF ECONOMIC TRANSFORMATION
Is Third World Experience Relevant in Eastern Europe?

By JOAN M. NELSON*

THE scope of the simultaneous economic and political transformations now being attempted in Eastern Europe is virtually unprecedented. At the same time dual transformations, though less sweeping and rapid, are also under way in much of the Third World. Many Asian, African, and Latin American states intervened extensively in their economies (short of attempting central planning and total control) and most of these began to move toward economic liberalization during the 1980s. Some are launching or seeking to consolidate political openings from noncommunist authoritarian political systems. Is there something to be learned from their experience and from theory based on that experience that is relevant to current problems in postcommunist cases?

Analysts of the political economy of liberalization in developing nations have focused mainly on early stages of reform. Acute economic difficulties have forced short-lived stabilization efforts in many countries, but more sustained and broader changes in economic structure have been less common. Typically, such programs have been launched by governments with unusual degrees of centralized executive autonomy, independent of or hostile to vested economic interests. Often key opponents were in disarray; sometimes they were repressed. In many cases protracted economic decline or hyperinflation had convinced much of the public of the need to acquiesce in painful reforms, even though there was no popular consensus on precisely what measures were required.

As political circumstances and the reform agenda itself change, altered tactics and approaches are called for. Indeed, sustaining and consolidating reforms is often even harder than initiating them, but this fact has

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received much less attention. Consolidation is still more difficult in countries seeking simultaneously to consolidate democratic political transitions, to redress economic crises, and to reorient their economies. The outcomes of these efforts are interdependent, but the processes conflict in important ways. In particular, the autocratic pattern typical of vigorous economic reforms may threaten democratic consolidation, but so too does the derailing of economic reform.

Similar dilemmas are quite obvious in Eastern Europe. This essay surveys experience with the politics of economic reform in two subsets of Third World nations: those that adopted vigorous economic adjustment programs without major political change; and those that attempted simultaneous economic reorientation and political opening. The final section turns to the much shorter record of simultaneous transitions in Eastern Europe.

I. Third World Vigorous Reformers

Most of sub-Saharan Africa, much of Latin America, and a few Asian nations confronted severe economic difficulties in the 1980s. These similar pressures prompted varying policy responses, however. Most governments sooner or later devalued and attempted to stabilize their economies. Many adopted piecemeal structural reforms. Far fewer launched and sustained a broader, integrated program of market-oriented structural reform. In this last category are Bolivia since 1985, Chile from the mid-1970s, Mexico since 1982, Ghana since 1983, and Turkey from 1980, though with dwindling vigor toward the decade's end. Less clear-cut but still quite vigorous efforts include Sri Lanka, from 1977 until rising ethnic conflict overwhelmed economic reform efforts in the mid-1980s, and Jamaica under Seaga, particularly from late 1983 through 1987. More recently the Menem government in Argentina has pursued an impressive program of stabilization and economic liberalization.

Launching Economic Reforms

What factors prompted and facilitated these intensive reform drives? At the core of almost all theory about the politics of stabilization and economic liberalization is the long-recognized fact that both sets of measures impose costs that are immediate, certain, and often concentrated on specific groups. The benefits, by contrast, are usually deferred, uncertain, and diffused. Losers know who they will be; gainers are much less certain. Moreover, losers include powerful vested interests (not least

those from within the state apparatus) that are organized and vocal, whereas potential winners are often neither.

Two questions follow from this. First, why would governments decide to undertake such measures, knowing that opposition is certain? Second, once convinced (for whatever reasons) that they must try, what are the main determinants of their capacity to follow through?

The first question has prompted theories on (1) the role of external economic pressure and the depth of domestic economic difficulties; (2) the influence of the international financial community in general and the IMF, the World Bank, and the U.S. government in particular; and (3) the striking global intellectual convergence on neoclassical development strategies over the course of the 1980s.[1] Where governments acted primarily in response to desperate economic straits and pressure from the international financial institutions, however, their efforts were virtually always short-lived. By contrast, vigorous and sustained adjustment efforts were undertaken in the 1980s by political leaders who believed that basic reforms and not merely temporary measures were absolutely necessary. In some cases they were themselves committed to neoclassical approaches: Özal in Turkey and Salinas in Mexico are clear examples. In other cases, including Pinochet in Chile and Rawlings in Ghana, political leaders' initial economic ideas were vague or even antiorthodox, but they were willing to trust reform teams with a strong neoclassical bent.

Once a leadership committed itself to economic liberalization, what factors shaped its capacity to launch and implement programs? In the late 1970s and early 1980s, theorizing focused on regime type: authoritarian governments were assumed to be particularly well suited, perhaps even necessary, to carrying out market-oriented reforms. Later studies largely discredited that simple assumption and stressed instead more sharply specified state-centered variables such as electoral cycles and institutional arrangements, which give key economic officials substantial authority while insulating them from direct political pressures.[2]

[1] See Barbara Stallings, "International Influence on Economic Policy: Debt, Stabilization, and Structural Reform," and Miles Kahler, "External Influence, Conditionality, and the Politics of Adjustment," both in Stephan Haggard and Robert Kaufman, eds., *The Politics of Economic Adjustment: International Constraints, Distributive Politics, and the State* (Princeton: Princeton University Press, 1992). On "trough" theory (the depth of domestic economic difficulties) specifically, see Thomas Callaghy, "Lost Between State and Market," in Joan Nelson, ed., *Economic Crisis and Policy Choice* (Princeton: Princeton University Press, 1990), 263.

[2] Major articles on these themes are Thomas Skidmore, "The Politics of Economic Stabilization in Postwar Latin America," in James Malloy, ed., *Authoritarianism and Corporatism in Latin America* (Pittsburgh, Pa.: University of Pittsburgh Press, 1977); Karen Remmer, "The Politics of Economic Stabilization: IMF Standby Programs in Latin America," *Comparative Politics* 19 (October 1986); idem, "Democracy and Economic Crisis: The Latin

Consistent with these theories, vigorous and wide-ranging market-oriented reforms during the late 1970s and the 1980s were in fact launched by governments with unusual degrees of central executive autonomy, at least with respect to economic issues. Their autonomy reflected varying combinations of established institutions and temporary political circumstances. In Mexico, for example, a strong executive has been a key feature of long-standing political institutions. In Chile, Ghana, and Turkey new military governments took office with considerable public approval, reflecting the popular perception that the previous government had lost control of the political and economic situation. In Sri Lanka in 1977 and Jamaica in 1980, particularly forceful leaders were buttressed by sweeping electoral victories and by firm control of their parties within the framework of British-style parliamentary institutions.

In almost all cases of vigorous and sustained reform, political leaders concentrated authority for economic management in "change teams" and protected those teams from political pressures both from outside and from within the government itself. In Bolivia, for instance, Paz Estenssoro established essentially separate cabinets for economic and noneconomic affairs.[3] In Mexico, de la Madrid reorganized the ministry that had been the stronghold of protectionist and interventionist views and pushed many of its officials out of office.[4]

Interest-group and coalitional explanations of the politics of economic reform complement state-centered theories, since capacity to carry out reforms reflects not only features of the state itself but also the nature of the societal groups with which it must interact. Three elements characterized the role of interest groups and their relations with reformist governments. First, in most cases the government was clearly dissociated from or antagonistic to most of the groups with the strongest vested political and economic interests in the old system. In Chile, Ghana, and Turkey reforms were launched by military governments that had recently seized power from elected governments.[5] In democratic Jamaica

American Experience," *World Politics* 42 (April 1990); Stephan Haggard and Robert Kaufman, "The Politics of Stabilization and Structural Adjustment," in Jeffrey Sachs, ed., *Developing Country Debt and Economic Performance* (Chicago: University of Chicago Press for the National Bureau of Economic Research, 1989).

[3] James M. Malloy, "Democracy, Economic Crisis, and the Problem of Governance: The Case of Bolivia," *Studies in Comparative International Development* 26, no. 2 (1991), 51–52. Eduardo A. Gamarra, "The Politics of Stabilization: Political Pacts and the New Economic Policy in Bolivia" (Manuscript, Florida International University, Miami, 1991), 9.

[4] Robert Kaufman, Carlos Bazdresch, and Blanca Heredia, "The Politics of the Economic Solidarity Pact in Mexico" (Paper presented at the World Bank conference on the Political Economy of Democratic Transitions, Washington, D.C., May 4–5, 1992), 7.

[5] In Ghana, Rawlings displaced a weak elected government that had held office for only

and Sri Lanka economic reforms were launched by new governments sharply opposed to the outgoing parties. In Bolivia, President Paz Estenssoro, who was seventy-eight years old at the time of his election in 1985, appears to have directed his attention to winning his place in history, which freed him to some extent from the constraints of partisan politics and vested interests.[6]

Second, not only were most of the reformist governments dissociated from key vested interests, but often many of these groups opposed to reforms were themselves discredited or in disarray. This was most striking in the democracies, because those governments were less likely to resort to repression. Opposition parties and associated groups in Sri Lanka in 1977 and in Jamaica in 1980 were thoroughly demoralized and divided by devastating electoral defeats and bitter ideological disputes. In Bolivia by 1985 and in temporarily military-ruled Turkey in 1980–83, unions were powerful and militant, but the widespread view that they were responsible for much of their nations' difficulties made it easy for incoming governments to repress them swiftly. In Ghana by 1983 years of military rule and economic decay had reduced once-lively unions and professional associations to largely ineffective roles. In Mexico most unions and associations were fairly tightly controlled by the ruling party, while legal opposition parties operated under well-understood informal constraints. In Chile once-powerful unions and parties were repressed after 1973.

Finally, in most of the vigorous reform cases a third factor, diffuse public support for change, reinforced the governments' ability to cope with specific opposition groups. In Bolivia in 1985 and Argentina in 1990, hyperinflation had capped a long history of partial or abortive reforms. By 1977 in Sri Lanka and 1980 in Jamaica years of economic stagnation and growing political polarization and violence had convinced strong majorities that new directions were imperative. Ghana had suffered fifteen years of disastrous economic decline by 1983; Turkey had struggled with recurrent economic difficulties and escalating civil violence and political polarization. In none of these cases was there a widespread popular consensus on the precise nature of the necessary reforms. But earlier strategies, including partial or gradual reforms, had proved ineffective or disastrous, and much of the public was prepared to acquiesce or even eager for a change of direction under firm leadership.

One further feature of vigorous Third World reform efforts is impor-

a year; Rawlings and his followers were hostile to both the inept civilian government and the earlier series of corrupt and ineffective military governments.

[6] Malloy (fn. 4), 21.

tant. Initial stages of adjustment were almost always carried out in an autocratic and technocratic manner, even in countries with firmly democratic political systems. In part reflecting the crisis context, reform packages were often introduced with little or no public preparation and were either pushed through legislatures rapidly or launched by decree. There were exceptions: in Sri Lanka, a careful program of public relations and administrative preparation prepared the way for the removal of the rice subsidy—politically sacrosanct for a quarter of a century—from the better-off half of the population. Even in the democratic cases, however, vigorous stabilization and economic liberalization entailed ignoring protest and some dilution of normal democratic procedures.

CONSOLIDATING ECONOMIC REFORMS

In the early 1980s international financial and development officials usually assumed that market-oriented economic reforms, while difficult to launch and implement, would generate their own political support once in place. Academic research on the politics of stabilization and structural change in the Third World has also focused on the initial stages of reform: the circumstances and factors behind a government's decisions and the immediate political reactions to its choices. The political dynamics of consolidating reforms has received much less attention, however, even though it is equally important.[7] Experience in many countries suggests that sustaining and consolidating economic liberalization differs from but is no easier than initiating reforms. Moreover, some of the tactics that are useful in the initiation phase may be less helpful, or even dysfunctional, during the period of consolidation.

Later stages require new tactics in part because the composition of the reform package itself tends to change. In the 1980s most vigorous Third World reform programs were launched in circumstances of crisis—times of depleted reserves, heavy external debt, stagnant or negative growth, capital flight, and (usually) accelerating inflation or hyperinflation. Therefore, macroeconomic stabilization measures headed the agenda. Key monetary and exchange-rate adjustments could be put in place by officials of the central bank and the Ministry of Finance, as could certain fiscal measures such as subsidy cuts. By contrast, launching and implementing most structural reforms is a more complex matter, since they

[7] There are several reasons for this bias in research. Policy-oriented analysts have understandably been preoccupied with getting reforms under way. Moreover, policy choices provide a fairly sharp focus for research: the time period, the key events, and the key actors are all fairly clear. In contrast, consolidation is a much more gradual and diffuse process during which expectations, incentives, public and private institutions, and recognized self-interests grow up around a reform and make it increasingly difficult to reverse.

usually require legislative action and also depend on the cooperation of line (as distinct from central staff) agencies and ministries. Reforms like privatization of state economic enterprises, which require extensive institutional reforms, are most difficult to implement, take much longer, and often also prompt intense resistance.[8] Both the early priority accorded to stabilization and key price reforms and the relative difficulty of instituting more complex structural changes produce a pattern of initial reforms launched by a fairly small circle of officials and agencies and later reforms that involve a much broader array of actors.

Compared with initial reforms, later stages not only differ substantively but are also likely to occur in changed circumstances. Honeymoons and diffuse support fade; disabled opposition groups reorganize; elections approach. Although such factors are obviously more important in the case of democratic reformers, they have played some role even in more authoritarian cases, such as Mexico and Chile.

Moreover, tactics that are initially useful become less effective or more costly over time. Skillful persuasion can win early acquiescence but cannot substitute indefinitely for visible results. Partial compensation to losers is expensive; deterrence and actual repression also have mounting costs. More specifically, almost all programs of vigorous liberalization proceed initially by ignoring or repressing organized labor. Failure to reincorporate labor is likely to set the stage for future conflict, as even such successful reformers as Korea have discovered. In the changed international climate of the 1990s, labor and other popular-sector groups are likely to press for access to decision makers sooner than they did in the less prodemocratic decades of the 1970s and 1980s.

The combination of shifting composition of reforms, altered political circumstances, and the dwindling effectiveness of early tactics tends to create a need for new approaches to help consolidate reforms. Contrary to the assumptions of the early 1980s, governments can rarely rely on benefits from the reforms themselves to generate support quickly enough to counterbalance these factors automatically. Even in the most vigorous Third World economic reformers in the late 1970s and 1980s (for example, Chile and Mexico), investment and growth responded strongly only after a lag of several years. In Bolivia reforms launched in 1985 generated positive per capita growth only in 1991. Therefore, even strongly market-oriented governments may seek to hasten the emergence of support by directly intervening in the economy. In Chile in the

[8] See World Bank, *Report on Adjustment Lending II: Policies for the Recovery of Growth* (Washington, D.C.: World Bank, March 1990), 54–57; idem, *Adjustment Lending: An Evaluation of Ten Years of Experience* (Washington, D.C.: World Bank, 1989), 89–91.

early 1980s Finance Minister Büchi extended subsidies to the constru tion industry and special credits to export-oriented agricultural ente prises as part of an effort to bolster business support.[9] In Mexico th Salinas government has used some of the funds from sale of public firn to finance targeted food price supports, credit for poor farmers and sma industries, and community-based social services and infrastructure, th is, to generate support specifically among groups poorly represented i the traditional party structures.

As winners emerge, they do not automatically provide the goverr ment with useful political support. That depends on whether they ar organized and vocal and on whether existing political institutions pro vide a channel for their participation. In Turkey export interests pro vided support for the new economic policies fairly promptly. In Ghan however, cocoa farmers were early winners from price reforms but wer not organized; nor was the government able to find a way to mobiliz their support without at the same time opening the way for urban op position.

In short, the main political challenge of initiating economic reforms i coping with inevitable opposition, whereas the main challenge of consol idating reform is building more positive support. Meeting the latter chal lenge requires some economic improvement, often a result not only o the reforms but also of foreign aid and luck with uncontrollable factor like weather and international prices. Ironically, however, the very fac of economic improvement is likely to reduce public tolerance for contin ued sacrifice and also to release pent-up demands for improved income and services. To sustain disciplined macroeconomic management an forge ahead on incomplete structural reforms, governments need to change their political tactics.

Although empirical analysis and theoretical discussion of consolidat- ing economic reforms is still fragmentary, two themes emerge fairly clearly. The first concerns the need to create institutions that insulate some key economic management functions from political pressures, while leaving other types of decisions open to legislative and interest-group participation. Macroeconomic policies that require continuous ad-justment but that can be manipulated by the central economic authorities are probably the most appropriate candidates for such protection. The approach reverses the emphasis on executive leadership and discretion so essential in the early stages of reform. Bringing highly distorted ex-

[9] Barbara Stallings, "Political Economy of Democratic Transition: Chile in the 1980s," in Stallings and Kaufman, eds., *Debt and Democracy in Latin America* (Boulder, Colo.: Westview Press, 1989), 190–93.

change rates into line requires courageous political initiative; keeping the rates properly adjusted may require a procedure shielded from politics, such as an auction or a crawling peg. Tightening monetary policy after a period of laxity calls for political decision; responsible, ongoing monetary policy is probably best protected by a largely autonomous central bank. Shrinking a severe fiscal deficit entails strong political leadership; maintaining fiscal balance can be facilitated (though not ensured) by a competent and authoritative budget process protected from pressures both within and outside the bureaucracy. In contrast, tax reforms and spending priorities are core issues for democratic participation.

A second, complementary approach to sustaining and consolidating economic reforms focuses on efforts to facilitate ongoing consultation between the government and concerned groups. This has often taken the form of ad hoc pacts, sometimes between the government and opposition parties and sometimes between the government, labor unions, and business groups. Such pacts essentially provide concessions or assurances to the nongovernment groups, in exchange for a temporary moratorium on attacks on adjustment policies (and often agreement between labor and business groups to share certain costs of adjustment).

In the Third World, however, social pacts have rarely been effective. One obstacle has been the absence in most countries of a united, disciplined, and fairly moderate union movement. In both Argentina and Brazil, attempted pacts foundered on deep-rooted suspicions and divisions within labor and business. The agreement reached in Mexico before the 1988 election is one of the more successful examples, facilitated by the ruling party's control over much of the union movement and by recently improved communications and support between the state and key business sectors.[10]

Pacts are obviously not the sole approach to broadened dialogue regarding economic policy. Variants and alternatives include more formal and permanent tripartite commissions and also strengthened roles (and improved staffs) for legislative committees. Greater consultation regarding policy becomes increasingly important not only as a device to reduce opposition and build support but also to permit the government to fine-tune policies and adjust reforms in response to information from the private sector. In short, technocrats need a degree of insulation, but they cannot operate in isolation, even in an authoritarian setting.[11] Ultimately,

[10] Kaufman, Bazdresch, and Heredia (fn. 4).

[11] For an elaboration of this point, see Peter Evans, "The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change," in Haggard and Kaufman (fn. 1).

consolidation of reforms requires more than fuller communication between government and interest groups: it also requires the emergence of interest groups that are themselves broadly based and that have some influence over their constituencies.

Still more broadly, consolidation of economic reforms requires a new consensus on the general nature of societal goals and the means for pursuing them. Since there will always be dissenting groups, it is crucial that there be sufficient public agreement on the broad lines of institutional and policy reform to promise continuity across changes of government. Such a consensus seems to have emerged in Chile. It remains problematic in most other vigorous reformers.

II. Third World Simultaneous Transformers

The collapse of communist governments in Eastern Europe and more recently in the former Soviet Union riveted world attention. But in both Latin America and parts of Asia the 1980s was a decade of more gradual transition from military and one-party authoritarianism to more open political systems. In Africa as well, Nigeria began a phased transition from military rule to democracy in the mid-1980s, while the dominant-party systems in Senegal and Tunisia started to relax constraints on the small legal opposition parties. By 1991 political reforms were launched or under discussion in three-quarters of the forty-seven nations of sub-Saharan Africa.[12]

In several cases political openings came after economic liberalization was well established. Obvious examples include Korea, Taiwan, and Chile. But in much of the Third World political liberalization or consolidation of democracy is being pursued at the same time as the country is engaged in or under pressure to embark on far-reaching economic reforms. Among the obvious examples are Argentina, Brazil, Ecuador, Mexico, Nicaragua, Turkey, the Philippines, and most of sub-Saharan Africa.

The trend poses an urgent question: how do economic and political liberalization interact? Theory to date provides us with only limited answers. The considerable literature on democratic transitions in developing countries has thus far paid little heed to economic factors.[13] But it is

[12] For useful reviews of political reforms in sub-Saharan Africa, see Michael Bratton and Nicolas van de Walle, "Popular Protest and Political Reform in Africa," in Goran Hyden and Michael Bratton, eds., *Governance and Politics in Africa* (Boulder, Colo: Lynne Rienner, 1991); Carol Lancaster, "Democracy in Africa," *Foreign Policy* 85 (Winter 1991–92).

[13] For example, Guillermo O'Donnell, Philippe C. Schmitter, and Laurence Whitehead, eds., *Transitions from Authoritarian Rule* (Baltimore: Johns Hopkins University Press, 1986)

clear that in the short and medium run, the processes of economic and political liberalization both complement and conflict with each other.

Perhaps most fundamentally, where the old political system is widely regarded as an intrinsic source of the nation's economic difficulties, economic reforms without political reforms lack credibility. The spread of political protest in sub-Saharan Africa is clearly fueled by conviction that the cure for prolonged economic stagnation is not only economic reform but also—indeed mainly—political change.

Moreover, removing the economic controls and distortions of the interventionist state requires reducing or breaking the political power of those groups (within and outside of the state bureaucracy) that benefited from the old system. This may entail empowering at least some of the groups (normally outside of the bureacracy) disadvantaged by that system.

Despite these complementarities, simultaneous economic and political liberalization predictably entails at least two clusters of severe conflicts.

The first cluster concerns tensions between expanding political participation and the requirements and implications of stabilization and market-oriented reforms. The surge of popular participation and demands that follows from political liberalization often runs counter to the fiscal and monetary restraint needed to cope with severe economic imbalances. Moreover, fiscal cuts and structural reforms are likely to weigh particularly heavily on the urban industrial and middle strata that benefited most under the old system and that will also be most active and vocal in the more open political setting.

Stabilization programs and market-oriented economic reforms also often entail two other unpopular results: a considerable and obvious increase in inequality, and expanded foreign competition and participation in the economy, which awakens nationalist sentiments.

The procedural style as well as the content of stabilization and economic liberalization conflicts with participatory pressures. The need for substantial centralized authority to launch and implement economic reforms clashes with demands for broadened access to decision makers by interest groups and a larger role for legislatures and for provincial and local governments. Recent analyses argue that this tension is likely to

This path-breaking five-volume study includes only one chapter on economic policies. More recently, interactions between economic and political liberalization have begun to draw more attention. See, e.g., Stephan Haggard and Robert Kaufman, "Economic Adjustment and the Prospects for Democracy," in Haggard and Kaufman (fn. 1); and also Laurence Whitehead, "On Reform of the State and Regulation of the Market" (Paper presented at the European Centre for the Study of Democratization conference on Economic Liberalization and Political Democratization, Forli, Italy, April 2–4, 1992) and other papers for the same conference.

generate political dynamics that seriously compromise prospects for d mocracy or fundamentally alter the nature of democratic politics.[14]

Problems of credibility generate a second set of tensions between ec nomic and political liberalization. Even where economic reforms a launched in a stable political setting (whether authoritarian or dem cratic), credibility and confidence in the continuity of the reforms a keys to renewed investment and economic recovery and are often slo to emerge. And even where democratic opening occurs without ec nomic crisis, stabilized expectations—trust and confidence in new insı tutions and altered relations among societal groups—develop over a p riod of decades not months.[15] Where economic reforms are undertak simultaneously with political opening, uncertainties are compound and efforts to hedge against risk shape both economic and political b havior.

We have only fragmentary evidence for testing whether reinforcir or conflicting linkages are the more important, and under what cond tions. What may be the only systematic comparative study on the que tion strongly suggests that new democracies have special difficulties wi macroeconomic management. Haggard and Kaufman classified twent five Latin America, African, and Asian nations according to whether (i specified years) their governments were established authoritarian sy tems, established democratic systems, or in transition to democrac They then compared how different categories of governments pe formed with respect to fiscal and monetary management.[16]

As a group, transitional democratic governments had considerabl greater difficulty containing fiscal deficits and limiting expansion o credit than did established democratic or authoritarian regimes. How ever, economic performance varied considerably among the new demo cratic governments. Part of the variation reflected different economi legacies from the previous governments; for example, incoming presi dents Aquino in the Philippines and Roh Tae Woo in Korea inherite economies that had just undergone fairly effective stabilization program (despite Marcos's pervasive mismanagement of the Philippine econom

[14] See Adam Przeworski, *Democracy and the Market* (Cambridge: Cambridge Universit Press, 1991), 180–87; Guillermo O'Donnell, "Delegative Democracy" (Paper presented at th East-South Systems Transformation Project, 1991).

[15] On this point, see Laurence Whitehead (fn. 13), 19–25.

[16] Stephan Haggard and Robert R. Kaufman, "Economic Adjustment in New Democra cies," in Joan M. Nelson, ed., *Fragile Coalitions* (New Brunswick, N.J.: Transaction Book for the Overseas Development Council, 1989). The cases were selected mainly for availabilit of detailed studies of the adjustment process; they include most major debtors. Measures of macroeconomic management include the ratio of fiscal deficit to GDP, the ratio of changes in expenditures to GDP, and expansion of central bank credit.

ore broadly). Political factors affecting macroeconomic policy included e size and strength of organized "popular sectors" entering or reenterg the political arena and the degree of continuity or abrupt rupture tween the outgoing authoritarian government and the new more demratic one.

Is sequencing of political and economic reforms a viable option? Hagrd and Kaufman conclude that simultaneous economic and political form is usually "a highly unstable equilibrium."[17] Historically and to me extent during the 1980s, most Third World nations pursued these als sequentially rather than simultaneously. Experience in Chile, Koa, and Taiwan suggests the advantages of focusing first and for an tended period on restructuring the economy. Political liberalization n then follow gradually. The ruling elite in China is committed to the ne sequence, arguing that to date economic liberalization without poical opening has been far more productive than the attempts by other cialist states to achieve economic and political reforms simultaneously. While East Asian economic progress is undeniably impressive, it is not elevant model for most countries currently struggling with simultaous transitions. Acute and chronic external threats bolstered both dostic and international acceptance of Korean and Taiwanese sequencg. Economic liberalization in the East Asian countries and in Chile iring the 1970s also occurred in the context of broader authoritarian nds and frequent assertions that such trends might facilitate economic growth—an international climate in marked contrast to recent democratization trends. Moreover, where major political openings have already occurred with broad social support, it makes little sense to raise the question of sequencing political and economic reforms as if these were strictly technical issues. The political clock cannot really be turned back; political transitions cannot be frozen and divisive political issues postponed until the economy is restructured. Indeed, many will view political issues as prior to economic problems, since the new political rules and institutions determine who will get what share of the fruits of economic transformation.

If it is neither feasible nor desirable to postpone political liberalization in favor of economic reform, is the reverse sequence a possibility? It is striking that the most successful recent case of roughly simultaneous economic and political liberalization, Spain, in fact postponed vigorous economic reform for several years while problems of political liberalization were worked out. Despite some effort to stabilize and address economic

[17] Haggard and Kaufman (fn. 13), 338.

reforms in the late 1970s, backed by an interparty pact, Spain did not really tackle major economic adjustment problems until after the sweeping election of the Socialist Workers' Party under Felipe Gonzalez Marquez in autumn 1982. The first half dozen years after the death of Franco were preoccupied with establishing a democratic system, including such decisions as legalizing unions and the Communist Party, containing the military and suppressing some of the special tribunals and other repressive institutions of Franco's rule, defining the roles of king and parliament, and granting substantial territorial autonomy to Basque and other regional/ethnic groups. The Socialist Party itself went through a wrenching period of ideological reorientation and reorganization during these years. As a result, when Gonzales launched major economic reforms starting in 1983, he was backed by a moderate and disciplined legislative majority.

Spain's experience, however, is no more relevant to most current Third World nations than is the opposite East Asian sequence. Spain was able to concentrate initially on political consolidation because the transition occurred after some fifteen years of considerable economic growth (despite the setback of the first oil crisis and despite increasingly evident structural problems in the Spanish economy by the early 1970s). In effect, Spain's economy was strong enough in the mid-1970s to permit several years of poor management and delayed reform. Growth of real GDP and productivity slowed but remained positive in the late 1970s; inflation increased but remained below 20 percent, except in 1977.[18]

By contrast, most nations seeking both economic and political liberalization in the 1990s cannot afford to dilute or postpone the economic agenda. They arrive at transition after prolonged economic stagnation or decay; in many cases inflation is high and accelerating, and reserves of foreign exchange are rapidly disappearing. Indeed, as noted earlier, the catalyst for political transition in many cases is economic collapse.

In short, many nations today have little alternative but to cope with simultaneous transformation. On the economic side, failure to move ahead means either accelerating inflation and disintegration or less dramatic but equally deadly stagnation and decline. On the political side, failure to consolidate responsible democratic organizations and workable democratic institutions means chaos or paralysis in the short run and some form of reversion to authoritarianism (though probably neither communism nor traditional military rule) in the longer run. Neither the economic nor the political risks can be ignored.

[18] International Monetary Fund, *International Financial Statistics* (Washington, D.C.: International Monetary Fund, 1989), World Tables, 164–65 and 116–17.

In the Third World the first one or two posttransition governments ıve usually not been able to sustain strong economic reform programs. hus Sarney in Brazil, Siles in Bolivia, Belaunde in Peru, Aquino in the ıilippines, Alfonsin in Argentina all adopted partial measures or failed sustain reform against mounting political pressures. A few second or ird posttransition governments, most clearly Paz Estenssoro in Bolivia ıd Menem in Argentina, have been more effective. In these cases ounting economic difficulties coupled with broadened recognition that ırtial measures were not adequate paved the way for more radical and ccessful programs. But once again, vigorous reforms were launched in ıtocratic fashion, raising questions about the later return to more conltative and participatory approaches, needed in simultaneous transition ses to consolidate not only economic but also political reforms. The oblem is echoed in Eastern Europe.

III. Is Third World Experience Relevant in Eastern Europe?

his discussion will focus on Central Europe and the Balkans, without tempting to consider the former Soviet Union. Even within Eastern ırope thus defined, the economic and political transformations now ing considered or attempted are much broader and deeper than the conomic and/or political reforms that many Third World nations ıunched or carried out in the past decade. There are also, of course, remendous differences among East European nations in society, culture, conomic and political history, and structure. Nevertheless, many of the oints sketched above regarding the politics of economic adjustment and he interactions between market-oriented economic reforms and democatization clearly apply also in these postcommunist cases.

To some degree, the parallels reflect shared pressures from the larger nternational setting. In both the East European and the Third World ountries, prevailing international intellectual trends regarding the roles f states and markets and the spread of faith in democracy as a universal orm interact with and reinforce domestic tendencies. More concretely, imilar policies in part reflect the similar role—older in the Third World, more recent in Eastern Europe—of the International Monetary und, the World Bank, and the international financial community in uiding, supporting, and seeking to hasten economic liberalization. However, many of the parallels in the dual-transition nations of the Third World and Eastern Europe spring not from the shared impact of xternal influences but from partially parallel domestic economic and olitical dynamics.

To what extent do East European nations share the political characteristics of Third World vigorous reformers sketched in Section I? And to what extent do the tensions emerging in Eastern Europe resemble those in Third World simultaneous transformers discussed in Section II?

COMMITMENT TO REFORMS

Section I argued that vigorous reformers in the Third World were characterized by widespread conviction, among both the public and political leaders, that tinkering with the economy was ineffectual and that far-reaching reforms were imperative. Similarly, East Europeans have lived through many years of economic stagnation or even decline, accompanied by growing (though largely repressed) political tension. Again like many Third World nations, some East European nations (particularly Yugoslavia, Hungary, and Poland) experimented for years with limited economic reforms. By the end of the 1980s both ordinary people and factions of the ruling elites were convinced of the need for a much more sweeping transformation that encompassed not only the economic but also the political system.[19]

There was further consensus that Western Europe offered attractive and appropriate models for transformation, despite disagreement over which West European models or which elements of the various models were most suitable. Especially in Central Europe, that consensus reflected strong historical, cultural, and intellectual ties with Western Europe. Those ties were in turn reinforced by the plausible prospect of eventual admittance to the European Community, a prospect that also provided concrete and detailed standards for many aspects of reform.[20] Indeed, initial consensus on the general nature of needed reforms was almost surely stronger in Eastern Europe than in many Third World nations pursuing structural adjustment.

As in some Third World countries, the widespread conviction that fundamental changes were imperative coexisted with underlying skepticism about whether change could succeed. Like the legacy of repeated stabilization efforts in Argentina or Brazil, failed or only partly effective pre-1989 reforms in most of the East European nations generated doubts that new efforts would prove any more effective. Against the back-

[19] For survey evidence on public attitudes toward old and prospective political and economic systems in Eastern Europe, see Richard Rose, *New Democracies between State and Market: A Baseline Report*, Studies in Public Policy no. 204 (Glasgow, Scotland: Centre for the Study of Public Policy, University of Strathclyde, 1992), 33–37, 45–46.

[20] Parallel factors, including the attraction of membership in the European Community, played an important part in the successful structural adjustment of Spain in the mid-1980s.

round of a psychological legacy of forty-five years of repressive govern- nent, initially submerged cynicism is now clearly surfacing.

Again parallel to the Third World vigorous reformers, broad com- nitment to fundamental changes in Eastern Europe also combined with itter disagreement over the specifics of design, speed, and sequencing. n Hungary, the Czech and Slovak Federal Republic, Bulgaria, and Ro- nania disputes over shock versus more gradual approaches to adjust- nent delayed action for many months. Poland responded to hyperinfla- ion with a bold stabilization program; but like their neighbors Poles ave deep conflicts over structural reforms. In Latin America and Africa nany observers who largely accept the basic principles of "the Washing- on consensus"[21] increasingly question whether neoclassical prescriptions re sufficient to rekindle growth. They urge consideration of more active ndustrial policies and more gradual trade liberalization. Similar voices re now being raised in Poland and elsewhere in Eastern Europe.[22]

Indeed, on some key measures uncertainty and conflict are more acute n Eastern Europe than in Third World vigorous reformers. Privatiza- on has proved particularly difficult in both Third World and postcom- nunist countries, and for similar reasons. Privatization generates a po- ent combination of fears and concerns. The most obvious, of course, are nose of well-connected managers and strongly organized workers in ublic enterprises. In addition, privatization rouses nationalist reactions: harges of "giving away the national patrimony" are exacerbated by the ifficulty of determining a fair price. Opposition is multiplied if the new wners are partly or largely foreign or resident aliens. There are inevi- ably some insider gains in the process of privatization, provoking strong ublic resentment. In Eastern Europe all of these concerns are greatly nagnified by the scale and scope of the public sector, and fears and dis- utes over privatization are correspondingly more central and intense. s of late 1992 only the Czech Republic had moved rapidly and deci- vely to privatize large as well as small-scale firms.

Concerns about the impact of market-oriented reforms on inequality nd insecurity are also more acute in Eastern Europe than in most Third Vorld nations. Communist ideology strongly emphasized equality.

[21] That is, the list of policy principles spelled out in John Williamson, ed., *Latin American djustment: How Much Has Happened?* (Washington, D.C.: Institute of International Eco- omics, 1990), chap. 1.

[22] See, e.g., Jose Maria Fanelli, Roberto Frenkel, and Guillermo Rozenwurcel, *Growth and tructural Reform in Latin America: Where We Stand* (Buenos Aires: CEDES 1990); Henryk zlajfer, "Promise, Failure, and Prospects of Economic Nationalism in Twentieth Century oland" (Paper presented at the annual conference of the Economic History Society, Leices- r, England, 1992).

Broadly, income differentials were much narrower and benefits and se vices more widely available than in almost any Third World natior Higher levels of the nomenklatura did constitute a more or less coveri and outrageously privileged elite, but they comprised only a thin vene of privilege in substantially egalitarian societies. Perhaps more impc tant, the old system assured employment, housing, schooling, and me ical care to virtually everyone, although quality was often very poor. Tl legacy is likely to prompt particularly strong popular resistance to me sures that increase inequality and especially insecurity.[24]

In parts of Eastern Europe nationalist emotions may also interfe with economic and political liberalization in ways that go beyond ur versal anxieties over foreign investment. For at least some parts of tl population, both the vast societal changes of the past forty years ushere in by communism and the liberal Western economic and political ide that now seek to replace Communism are felt to be alien impositio antithetical to long-standing historical and cultural traditions. The emotions are perhaps more similar to currents in some African natio than to those in most of Latin America. They may feed not only indivic ual alienation but also organized opposition.[25]

Organized Support and Opposition

I argued in Section I that in Third World experience, even where publi opinion seeks major changes, governments can initially expect organize opposition but little organized support for reforms. Among the mos vigorous Third World reformers, initial stabilization and structural re forms were facilitated by a weak opposition, either because major poten tial opposition groups were repressed or, in the democratic cases, becaus they were discredited or in disarray.

Are organized forces favoring reform stronger in Eastern Europe thar

[23] In some of the East European nations there were substantial *wage* differentials betwee top managers and the least skilled workers in large public enterprises. Constraints on acqu sition of private wealth kept income differentials comparatively narrow.

[24] For data on the distributive impact of social expenditures in Eastern Europe, see the World Bank series summarized in *Transition* 2, no. 11 (December 1991), 10, published by the Socialist Economic Reform Unit, Country Economics Department, World Bank. Regarding attitudes toward income inequality, poll results in Hungary as of late 1990 indicated that onl a fifth of working-class respondents and much smaller proportions of those better-off favore virtual equality. Moreover, these figures were not dramatically different from U.S. pattern and showed greater tolerance for inequality than polls in Spain in 1986. See Laszlo Bruszt and Janos Simon, "The Great Transformation: Opinions on Democracy and Capitalism in Hungary" (Manuscript, Budapest, Erasmus Foundation for Democracy, March 1992), 14-15. Fear of insecurity, rather than generalized distaste for inequality, may turn out to be the more important issue in Eastern Europe.

[25] See, e.g., G. M. Tamas, "Socialism, Capitalism, and Modernity," *Journal of Democracy* 3, no. 2 (July 1992).

nost vigorous Third World reformers? Are the major groups likely ›ppose market-oriented adjustment discredited or in disarray?

East European nations share with other simultaneous transformers a id restructuring of civil society, including the dramatic burgeoning of c associations, unions, aspiring political parties, and business and pro-ional associations of all varieties. Where regional or ethnic cleavages strong, economic interests often organize separately along regional ethnic lines. Leaders generally lack organizational experience, and lership is often contested; structure, discipline, and agendas remain lear. Rivalries among organizations are often intense, and many ups are reluctant to blur their still poorly established identities or ıinish their fragile authority by entering into coalitions. Among the liferating parties, a fair number have been resurrected from the pre-ımunist era and seek at least in part to reestablish the distant past. all, the uncertainties of the changing political and economic systems ‹e it difficult to gauge potential gains or losses resulting from specific ısures. Amid this flux, organized opposition was initially scattered weak. But opposition is growing both because reforms are moving ı more complex phases and because interests are regrouping.

ls privatization or restructuring of large state-owned enterprises ‹es to the top of governments' reform agendas, workers in the tar-:d firms are virtually certain to oppose these changes. Such workers ıprise a far larger share of the work force than they do in most Third rld nations, and levels of unionization are much higher, despite at-on and fragmentation since 1989. By early 1992 unemployment rates e already double-digit, even without vigorous privatization of large-e firms. Especially where one or a few big enterprises are the largest l employers, workers' resistance will be backed by the whole local ımunity. Pervasive and acute housing shortages intensify protest, e displaced workers cannot readily relocate to find jobs.[26]

Jnion opposition to initial stabilization and structural reforms in tern Europe was muted, even though real wages dropped sharply. ionalization or privatization ups the ante, threatening not simply ;es but also employment. Moreover, during and immediately after the apse of the old regimes, both communist and anticommunist unions 'e constrained. The former were discredited and in disarray; anticom-

Richard Rose offers an additional reason for low mobility. Drawing on survey evidence, rgues that most East Europeans depend for survival not only on their formal jobs but on a portfolio of informal, sometimes illegal activities entailing networks of friends and acts. Even if they lose their formal jobs, moving means leaving behind these networks the modicum of security they provide. See Rose (fn. 19), 26.

munist unions (which, with the exception of Solidarity in Poland, we
new and small) did not wish to challenge their anticommunist allies w
were not yet firmly in power.

*By 1992, however, ex-communist unions were more openly opposir government policies and plans. Such unions were often strongest in pre cisely the inefficient and outmoded lines of industry most threatened b reform. For their part, noncommunist unions are also asserting their au tonomy. In Poland, with a long history of powerful and substantiall*y autonomous trade unions, Solidarity paradoxically had been weakened as a workers' movement in the process of becoming the broader umbrella organization for the anticommunist opposition. After 1989 its ex-com munist rival OPZZ benefited from workers' discontent, while Solidarity was constrained by its ties with the new government. In response, Soli darity has increasingly distanced itself from the government. Still more clearly in Bulgaria the opposition union movement Podkrepa, originally allied with the anticommunist coalition, has shifted to aggressive criti cism and strikes following the October 1991 elections, which put a non communist government in power. Major strikes in spring 1992 led the government to back away from plans to close uneconomic urani mines. There has even been some modest cooperation between forme bitter communist and noncommunist rival unions in Bulgaria, Hunga and Poland. In short, rising union opposition echoes experience in Thi World reformers such as Turkey and Argentina.

As in the Third World, however, union opposition is likely to much more tenacious in some East European countries than in othe Workers recognize that current structures are crumbling. Their r sponses are likely to reflect their views on the probable success of t broader process and their share in benefits, rather than sheer resistan to change. In Hungary economic reforms started earlier and have pr gressed further in many respects than in neighboring countries. Son Hungarian unions have reacted to privatization by demanding a voice revised arrangements within the firms, rather than by putting up ou right resistance.

A second parallel to Third World cases is likely to emerge as publ service workers in education, health, and administration at the nationa provincial, and local levels react to disastrous erosion of their real in comes. Both in Third World and East European nations, public servic workers are a large fraction of the labor force; they are also responsibl for delivering the services most citizens view as basic indicators of gov ernment performance. While they may sometimes strike, their protes emerges most consistently and insidiously in resistance to implementin

forms.[27] The "orthodox paradox" of Third World reform—the problem of relying on state agencies and officials to carry out profound changes in the functions and nature of the state itself—applies with even greater intensity in Eastern Europe, above all in the Balkan countries where the former Communist Party remains a serious political contender.[28]

Other sizable societal or sectoral groups are also likely to oppose much of the economic liberalization agenda, but they are weakly organized and therefore pose a greater threat in elections than direct action. Pensioners comprise a considerably larger fraction of the population in Eastern Europe than in Third World countries both because of demographic structure and because with few exceptions Third World social security systems have narrow coverage. In Bulgaria roughly a third of the population are pensioners.[29] Broadly, rural and agricultural groups have also opposed economic liberalization, despite major differences among countries in the organization of agricultural production under communism, and despite contrasts in the objective impact of economic reforms on different categories of crops and producers.[30] Rural doubts about reform have mainly taken electoral form. In the June 1990 and October 1991 elections the Bulgarian Socialist Party did much better in rural districts and small towns than in larger cities; in Hungary rural voters reinstated many former local council chairmen in the local elections of September 1990; in Romania in October 1992 Ion Iliescu's Front for National Salvation was reelected with largely rural support. In Poland, however, where the agricultural sector is both private and well organized politically, farmers' strikes and demonstrations have won farm price supports and reinstatement of duties on some agricultural imports.[31]

For the most part, those social groups most likely to support reform, though highly vocal, also do not constitute strong interest groups. Intellectuals have dominated much of the debate on public policy. Until quite recently in most Third World nations, most intellectuals and profession-

[27] See, e.g., Jiri Pehe, "The Controversy over Communist Managers," *Report on Eastern Europe* 1 (September 7, 1990), 9.

[28] For a discussion of the "orthodox paradox," see Miles Kahler, "Orthodoxy and Its Alternatives," in Nelson (fn. 1).

[29] Bulgarian Agency for Economic Coordination and Development, *Monthly Business Survey* (December 1991), 10. Note that in Argentina, where social security does have broad coverage but real pensions have declined steadily, pensioners are a potent voting bloc and have been actively protesting the Menem government's reforms.

[30] Contrast, for instance, the effects of devaluation and import liberalization on large state farms growing grain for domestic consumption and on private farms (in Poland) or plots producing livestock, vegetables, and fruit partly for export.

[31] Branko Milanovic, "Poland's Quest for Economic Stabilization, 1988–90" (Manuscript, World Bank, October 1990), 13.

als supported political liberalization but were skeptical about or hos to private enterprise and instead favored state-led growth and inwa looking trade policies. It remains to be seen whether East European i tellectuals will continue to support market-oriented reforms as the co of such measures become clearer. But initially they have been both mo prominent in politics and more favorable to economic liberalization th their Third World counterparts.

Newly emerged private business interests have organized extreme rapidly: for instance, the Bulgarian Union for Private Economic Ente prise was established in December 1989. While such groups will predic ably oppose some aspects of economic reform in the future, they are a most sure to be more supportive than much of the business communi in many Third World nations, where many private firms depend o subsidies and protection that would be threatened by market-orient reform. Thus far, however, private business groups are small (althoug growing rapidly in Czechoslovakia, Hungary, and Poland). Their poli ical effectiveness may be diminished by widespread public suspicion ar resentment that those doing well during the difficult transition peric must be engaged in illegal or semi-illegal practices or are former men bers of the nomenklatura exploiting their inside track to line their ow pockets.

In sum, as with Third World vigorous reformers, the first stages o economic transformation in Eastern Europe benefited from the disarra or lack of organization among major groups potentially opposed to mar ket-oriented reforms. However, both labor unions and other interest may emerge as more active opponents, as they overcome initial disor entation, as the new regimes' honeymoons fade, and as reform agenda place more emphasis on structural and institutional reforms threatenin specific interests. As in the Third World, sustaining and deepening mar ket-oriented reforms are likely to prove even more difficult than launch ing them.

Centralized and Insulated Power over Economic Decisions

A third political feature in vigorous Third World adjustment cases ha been the concentration of power over economic policy in the chief exec utive and top economic officials who are relatively insulated from polit ical pressures. Varying combinations of factors produced this pattern in different countries: established political institutions or transitional ar- rangements vesting power in the chief executive; sweeping electoral vic- tories or popular uprisings; and particularly strong control by leaders over their own parties.

some care is needed in transferring the concepts of "centralization" "concentration" of economic decision-making power to postcommu- t cases. Centrally planned economies paradoxically diffused authority er fiscal and monetary policy. Indeed, the term "policy" is something a misnomer in this context. Both monetary and fiscal outcomes were gely passive results of plans and production targets. In some countries e-1989 reforms decentralized authority for setting plans and targets. st-1989 market-oriented reforms have been accompanied to varying grees by the recentralization and increase of control over macroeco- mic variables, at the same time that price setting and other economic :isions have been deregulated. Recent changes in economic institutions l procedures may therefore have had an ambiguous effect on the abil- of central economic officials to control economic variables, strength- ng some channels of control and weakening others.

Looking beyond economic institutions to the broader political con- ts, something of a paradox emerges in Eastern Europe. During the nsitional period the authority of central executives was weakened by)idly changing, inchoate political parties and by uncertainties and de- es about the powers of the executive. Yet the inability of parties and islatures to formulate programs and exercise leadership, coupled with :pening economic crisis, led to temporary acceptance of technocratic dership, which permitted several of the governments to act fairly de- ively on major economic policies. But these technocratic windows of)ortunity began to close after the round of elections in autumn 1991.

Among the factors undermining executive authority the most obvious he fluid state of the basic political and institutional framework. The ıst extreme cases are of course the former territories of Yugoslavia and · Soviet Union, where central institutions have crumbled. The Czech l Slovak republics have separated less chaotically. In other East Eu-)ean nations that have remained intact, there is strong pressure for :entralization to regional and local governments. The balance of pow- between executive and legislature is also in dispute. Uncertainty au- natically undercuts executive authority. Moreover, one legacy of com- ınism is a deep suspicion of concentrated power. In Poland, for tance, concern about excessive concentration of power and uncertainty)ut the respective roles of president, prime minister, and legislature ve been consistent themes since Lech Walesa's election as president in e 1990.

Weak legitimacy can further handicap executives already undercut by : uncertainties of rapid change. In Brazil, for instance, the legitimacy the first posttransition president was always weak. Designated as vice

president, Sarney became president only because of the unexpected de of Tancredo Neves; Sarney's links with the outgoing military gove ment rendered him suspect to many Brazilians. Several transitional E European governments also were handicapped by concessions to or lin with the outgoing communist systems. Poland gained an elected pre dent in December 1990 and a fully elected legislature only in Octob 1991. In Bulgaria the initial transition government, dominated by form communists, had highly questionable legitimacy and was forced to yie in late 1990 to a second transition team with a nonpartisan head. Ev under this second government the legislature hesitated to take action economic reforms, pending ratification of the new constitution in Ju 1991.

In the longer run democratic executive authority depends in part the ability to command reliable legislative support for key measures. Sri Lanka and Jamaica during their periods of rapid reform, gover ments held sweeping, cohesive majorities. In Spain the economic reforn launched in 1983 were also facilitated by a reliable legislative majorit In Bolivia, Paz Estenssoro initially lacked even a plurality, but he con structed a reliable legislative majority through a skillful interparty pac

To date, most governments in postcommunist countries do not hav reliable legislative majorities. As in most simultaneous transformer party systems are in flux. The umbrella political movements that playe key roles in displacing communist regimes predictably have fragmente once their unifying goal has been accomplished. Solidarity in Poland, th groups Civic Forum and the Public against Violence in Czechoslovaki the Hungarian Democratic Forum and Alliance of Free Democrats, an Bulgaria's Union of Democratic Forces all followed this pattern. Becaus most such movements embrace individuals and constituent organiza tions or parties with widely varying views, they usually cannot enforc discipline. Indeed, both Solidarity and Civic Forum took pride no merely in permitting but even in fostering a wide variety of views.

Disintegration of the movements opposed to the old regimes was par alleled by the proliferation of new parties and interest groups. In Hun gary, more than fifty parties were organized between autumn 1989 an the elections in March 1990. In Czechoslovakia more than forty partie were founded between November 17, 1989, and early February 1990.[32] In Poland over two hundred parties contested the October 1991 elections with twenty-eight of them winning legislative seats. As in Third Worl democratic transitions, the evolution from the umbrella opposition coa

[32] Jiri Pehe, "An Overview of the Democratic Revolution," *Report on Eastern Europe* (March 9, 1990), 7.

on to a viable multiparty system is a fundamental challenge. It re-ires consolidation of the bewildering array of small, mainly personal-ic contenders into a manageable number (more than one, perhaps ver than seven or eight?) of fairly disciplined parties offering coherent ograms.[33] Building a workable party system also requires co-opting or rginalizing extremists of various kinds. In Spain party realignment d the reorientation and building of discipline in the Socialist Party k roughly seven years, from the mid-1970s to 1982.

Building a workable party system is a challenge common to all dem-atic openings. But in some East European cases a legacy of suspicion d distaste for party activity in general and for strong and disciplined ties in particular initially hindered the realignment process. In Cze-slovakia many Civic Forum activists were reluctant to enter the par-n fray. When Hungary's Democratic Forum decided to become a litical party, a number of influential writers discontinued their active port. And in Poland the Citizens' Committees originally established liaison and advisory groups to Solidarity were taken by surprise when alesa asked them to take responsibility for the electoral campaign in 39. In 1990, with the transitional government in place, there was in-se uncertainty and debate within the citizens committees regarding ir appropriate future role—whether as a party or as advisory groups parties. In Hungary, however, a relatively stable and workable coali-n emerged in parliament, facilitated by strong voting discipline in par-nentary parties plus certain constitutional features.[34]

In sum, during the period of transition from communist rule East ropean countries for the most part lacked the features that produced ong centralized executive authority in Third World vigorous reform-. Institutional flux and decentralizing tendencies, suspicion of highly centrated central power, and a fluid and evolving party system all dercut central power.

Yet despite, or perhaps because of, these features of the evolving insti-ional and political landscape, several of the East European countries duced strong and autonomous leadership with respect to economic icy. Frustration with stalemated legislatures, quarrelsome parties and litions, and divided cabinets; concern over continued economic dete-ration; and the need to win the confidence of the IMF and the inter-

' For a discussion of this process in Latin America, see Laurence Whitehead, "Economic eralization and the Consolidation of Democracy in Latin America: Mutually Reinforcing Potentially Conflicting Processes?" (Paper presented at the Inter-American Dialogue kshop on Political and Economic Liberalization, June 1990).

' András Körösényi, "Stable or Fragile Democracy? Political Cleavages and Party System Hungary" (Manuscript, Eötvös University of Budapest, March 1992), 3–4.

national financial community prompted appointment of nonpartisan technocratic key officials or even governments. In Poland, Prime Mi ter Mazowiecki backed his minister of finance in a program that c tured world attention. In Bulgaria a caretaker government headed unaffiliated Dimitar Popov was appointed in November 1990 and mov ahead briskly to contain the economic crisis. In Hungary in Decemb 1990 unaffiliated economist Mihaly Kupa took over the Ministry of I nance, and in early 1991 he established an "economic cabinet," presum ably to provide somewhat greater insulation from immediate politic pressures in containing inflation and implementing the new four-ye economic program including accelerated privatization.[35]

These windows of technocratic autonomy predictably proved tempo rary. Elections and their repercussions in Poland and Bulgaria in autum 1991 and in the Czech and Slovak Federal Republic in mid-1992 rea serted the primacy of politics in economic policy—in ways that som times favored and sometimes halted economic reform.

In the Czech and Slovak Federal Republic, federal minister of finan Klaus, the architect of economic reform, plunged into politics rather tha seeking autonomy from partisan pressures. In early 1991 he won th support of much of the dominant Civic Forum Party for his program rapid market-oriented reforms, defeating more gradualist voices. By th June 1992 elections, economic improvement in the Czech areas plus vigorous and disciplined campaign won a strong plurality for Klaus party—a clear popular mandate for continued reforms. In Bulgaria i October 1991, elections also seemed to endorse continued rapid reform although the narrow plurality for the Union of Democratic Forces, de feating the ex-Communists in a polarized contest, was a much less clea mandate than in the Czechlands. Within a year, an array of dispute (many not related to economic reform) and the Dimitrov government confrontational style led to its collapse. Meanwhile most aspects of eco nomic reform were stalled or handicapped, though macroeconomi management remained fairly autonomous.

In contrast to Czech and Bulgarian elections endorsing rapid reform in October 1991 Polish voters returned a fragmented parliament and a initial coalition seeking less radical reform. Political conflicts within th parliament and between the government and presidency paralyzed ac tion throughout the first half of 1992. Since then a new government un der Prime Minister Suchocka, aided by somewhat more self-disciplined legislature, has struck a much more sustainable balance, both in th

[35] Economist Intelligence Unit, *Hungary: Quarterly Report*, no. 2 (1991), 8.

ly political arena and with respect to autonomy and consultation on omic policy.

inally, in Slovakia elections not only ended technocratic autonomy closed off reform. Slovakia had gained less and suffered more than Czechlands from economic reforms within the federation, and the ne 1992 vote for separatist Vladimir Meciar set in motion the dismaning of the federation and the derailing of economic reforms.

HE PRECARIOUS BALANCE: PARTICIPATORY PRESSURES VERSUS REQUISITES OF ADJUSTMENT

short, East European experience already demonstrates that economic form cannot long be insulated from politics and that politics is not ways the enemy of such reforms. There is no avoiding the challenge of lancing access to decision makers with adequate autonomy and contiity for economic policy-making.

Especially in the context of simultaneous political openings, demands r broader participation in key economic decisions are certain to inteny. Parties, unions, and other interest groups will predictably become tter organized and more effective. And the broad climate of both popar and elite opinion favors participation and consultation. The truck d taxi drivers' strike that startled Hungary in October 1990 focused as uch on the secretive and abrupt manner in which the gasoline price ke was decided and announced as on the substance of the price hike elf.[36] Pressure for consultation will also grow as at least some parties ek to develop a mass base.

The tension between demands for consultation and participation vers governments' tendency toward technocratic decision making has obous relevance for the political sustainability of economic reforms in the ort run. Less obvious but equally important are the implications for nger-run consolidation of democracy. The ways in which initial polis are made and early disputes are managed are shaping emerging inrest groups' ideas of what they can expect of their new governments d therefore of what strategies and tactics they should adopt. The ind-sets and organizational arrangements formed in this period will fluence the character of politics for years or decades to come.

More broadly, if the contradictory pressures of political opening and onomic management cause governments to vacillate between autoatic and consultative styles of economic policy-making, this may dame the prospects for democratic consolidation. Based on experience in

[36] Economist Intelligence Unit, *Hungary: Quarterly Report*, no. 1 (1991), 7.

both Latin America and Eastern Europe, Adam Przeworski suggests that new democratic governments are likely to try to mobilize support for painful economic measures through combined persuasion and partial or deferred compensatory measures. At best, however, attempts at concertation lead to delays and compromises; at worst, the process breaks down entirely. Faced with mounting economic crisis, governments turn to decrees and other technocratic means to press ahead. In electoral campaigns candidates are tempted to promise painless adjustment, only to launch austerity programs upon taking office: Menem in Argentina, Collor in Brazil, Perez in Venezuela, Fujimori in Peru, and Olszewski in Poland are all clear examples. The inconsistency and vacillation of political styles erodes fragile confidence in democratic institutions and procedures and breeds distrust and cynicism.[37]

In short, resort to temporary technocratic patterns of economic decision making solves certain immediate problems only to raise other longer-term difficulties. East European and Third World nations seeking simultaneous transitions confront a crucial dilemma: how can tensions between economic and political liberalization be reduced, without destroying prospects for one or the other or both objectives? More specifically, how in evolving political systems can a balance be constructed and maintained between adequate autonomy for economic authorities and access to decision making for emerging popular groups?

Achieving such a balance poses challenges for theory as well as for policy. Recent research on the politics of economic reform suggests a need to insulate key economic management functions from direct political pressures and at the same time to improve the channels for ongoing consultation between the government and concerned interest groups on other aspects of economic policy and reform. But what aspects of economic policy can appropriately be insulated in a democracy? Do the intrinsic characteristics and requirements of different types of policies largely determine the answer? (For example, there is considerable agreement on the advantages of fairly autonomous central banks to manage monetary policy.) Or do different political and societal settings call for varying answers? The difficult dual transitions of the 1990s are raising in more acute terms perennial questions regarding the roles of technocratic officials and agencies in democratic societies.

Simultaneous dual transitions are also raising in new forms and with fresh urgency questions about the channels of interaction between the state and civil society, when both are changing rapidly. Among these

[37] Przeworski (fn. 14), 186–87.

:stions, how to contain yet also integrate organized labor merits par-ılar attention in those countries of both Eastern Europe and Latin ıerica that have large industrial work forces. The process of economic ·ralization inevitably hits labor hard, because it entails restructuring ch existing industry (public and private) and closing down of irre-vably inefficient enterprises. Most Third World successes with sus-ıed economic liberalization in the past two decades have entailed pe-lic or consistent repression of unions: among the obvious examples Korea, Bolivia, Chile, Mexico, and Turkey. Some theorists have sug-ted that labor restraint is crucial not only for sustained economic re-n but also for consolidation of democratic openings, in order to en-rage confidence and loyalty from business.[38] Yet failure to integrate ɔr into democratic processes can also threaten democratic consolida-ı; in Eastern Europe this seems particularly clear.

Both policymakers and theorists have tended to focus on pacts to im-ve access while bounding the arena of debate between government, ɔr, and business. Yet Third World experience with pacts has not been ticularly encouraging. Pacts may be particularly difficult in the early ;es of democratic transitions, when new interest groups are seeking ·stablish their own identities and therefore may resist subordinating r own organizational priorities and concerns to broader social needs. :y may also be extremely reluctant to accept the freeze in power re-ɔns usually entailed in pacts.[39]

\ second line of theory and research on relations between organized ɔr, business, and government has focused on democratic corporatist ıngements for determining wages and broader social policies.[40] Yet conditions underlying the success of this approach in the post–World r II decades in parts of Western and Northern Europe are absent in st nations attempting dual transitions in the 1990s.

Closely related to these questions concerning the role of technocrats in ıocracies and the modes and channels of access for political influence economic policy is the growing number of proposals in both ex-com-

See, e.g., Guiseppe Di Palma, *To Craft Democracies: An Essay on Democratic Transitions* keley: University of California Press, 1990), chap. 5, esp. 97.

Juan Carlos Torre, "America Latina: Governing Democracies in Hard Times" (Paper ented at the Fifteenth Congress of the International Political Science Association, Buenos s, July 1991).

See, e.g., David R. Cameron, "Social Democracy, Corporatism, Labour Quiescence and Representation of Economic Interest in Advanced Capitalist Society," in John H. Gold-pe, ed., *Order and Conflict in Contemporary Capitalism* (Oxford: Oxford University Press,); Peter J. Katzenstein, *Small States in World Markets: Industrial Policy in Europe* (Ithaca, .: Cornell University Press, 1985). For a discussion of these and other theories and their 'ance in developing nations, see Joan M. Nelson, "Organized Labor, Politics, and Labor ket Flexibility in Developing Countries," *World Bank Research Observer* 6 (January 1991).

munist and Third World nations for a reassessment of the role of the state in economic growth. Reacting to pressure for rapid reform and the more extreme versions of market-oriented prescriptions, there is now growing interest in more gradual approaches and in more active industrial policy guided by the state. Both are often justified by reference to the East Asian experience. And both are usually advocated as a means to ease the tensions between economic and political liberalization.[41]

These proposals pose a further challenge for theory and for comparative research. In Japan, Korea, and Taiwan, industrial policies clearly contributed to stunning economic growth.[42] Yet in much of the Third World during the 1970s and 1980s, industrial policies and state-led growth resulted in pervasive distortions and inefficiencies that contributed mightily to the difficulties of the past decade or more. Are these contrasts due largely to changes in the international economic context after the early 1970s? (That theory gains some support from the strong performance of state-led industrial strategies in several Latin American countries before the 1970s.) Or are contrasting outcomes of industrial policies a result of differences in the precise design and techniques used? Or to varying administrative capacities or political contexts, or different informal relationships between government technocrats and business communities?[43] Are the factors that fostered success in East Asia present in Eastern Europe or Third World countries today? A better understanding of these issues is essential for the newly reopened debate regarding the appropriate role of the state in prompting growth.

There are clearly important contrasts between the economic and political structures, legacies, and dynamics in postcommunist Eastern Europe and the diverse Third World cases on which this essay draws. But

[41] Much of this line of argument is usefully summarized in Ajit Singh, "Close versus Strategic Integration with the World Economy and the Market-Friendly Approach to Development versus an Industrial Policy: A Critique of the World Development Report 1991 and an Alternative Policy Perspective" (Manuscript, Cambridge University, April 1992). For an argument relying much less on the Asian experience, see Luiz Carlos Bresser Pereira, José Maria Maravall, and Adam Przeworski, "Economic Reforms in New Democracies: A Social-Democratic Approach" (Paper presented at the Conference on Democracy, Markets, and Structural Reforms in Latin America, organized by the North-South Center of the University of Miami in collaboration with CEDES, and held at the Simon Rodriguez Foundation, Buenos Aires, March 25–27, 1992).

[42] Among the key studies on Asian experience are Alice Amsden, *Asia's Next Giant* (Cambridge: Cambridge University Press, 1989); and Robert Wade, *Governing the Market* (Princeton: Princeton University Press, 1990).

[43] See Chalmers Johnson, "Political Institutions and Economic Performance: The Government-Business Relationship in Japan, South Korea, and Taiwan," in Frederic C. Deyo, ed., *The Political Economy of New Asian Industrialism* (Ithaca, N.Y.: Cornell University Press, 1987); Peter Evans, "The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change," in Haggard and Kaufman (fn. 1), esp. 163–65.

there are also striking parallels in the broad issues confronting Eastern Europe and those confronting many of the Third World nations attempting simultaneous economic and political liberalization. Third World experience may enrich understanding, and thereby contribute to Eastern Europe efforts to design ways to cope with the inherent tensions of the dual transition. The dilemmas of both postcommunist and Third World simultaneous transformers should also prompt fresh and urgent reexamination of our theories on the links between democratization and market-oriented economic reforms.

Review Article

AFTER REGIME CHANGE
Authoritarian Legacies, Political Representation, and the Democratic Future of South America

By FRANCES HAGOPIAN*

Larry Diamond, Juan J. Linz, and Seymour Martin Lipset, eds. *Democracy in Developing Countries: Latin America*. Boulder, Colo.: Lynne Rienner, 1989, 515 pp.

Manuel Antonio Garretón. *The Chilean Political Process*. Translated by Sharon Kellum in collaboration with Gilbert W. Merkx. Boston: Unwin Hyman, 1989, 220 pp.

Karen L. Remmer. *Military Rule in Latin America*. Boston: Unwin Hyman, 1989, 213 pp.

William C. Smith. *Authoritarianism and the Crisis of the Argentine Political Economy*. Stanford, Calif.: Stanford University Press, 1989, 395 pp.

Alfred Stepan, ed. *Democratizing Brazil: Problems of Transition and Consolidation*. New York: Oxford University Press, 1989, 404 pp.

I

PERHAPS no theme has so dominated the research agenda of comparative politics in recent years as that of the transition to democracy. The subject has obvious normative appeal, compelling political significance, and theoretical importance. Furthermore, the spectacular collapse of each authoritarian regime has added a new set of impatient area scholars to the ranks of the comparative political scientists already committed to the study of what Samuel Huntington has called the "third

* I would like to acknowledge the profound influence on my thinking of my colleagues in the state-society workshop organized by Joel S. Migdal; the participants in the 1991 LASA Workshop on Democratization and State Crumbling organized by Marcelo Cavarozzi; and the graduate and undergraduate students who populated my courses on democratization in Latin America at Harvard University. I particularly wish to thank Marcelo Cavarozzi, Jeanne Kinney, and João Resende-Santos for their conversations about regime change and democratization, my colleagues in the Political Science Department at Tufts University for their comments on an earlier version of this work, and Tony Messina for his patient assistance with this article.

wave" of democratization.[1] Newcomers to the field will discover a rich literature inspired by the experiences of the southern European and Latin American countries caught earlier in the "wave." The "transition" studies, which steered the field of Latin American politics for a decade, were especially successful both at identifying the factors that prompted the various transitions from authoritarian rule and at explaining how those transitions were sustained against resistance from hard-liners in the security forces and how the opposition movements of civil society contributed to democratization. These studies, indeed, provide a model of regime change that can be applied around the globe.[2]

Scholars of currently democratizing regions will also find, however, that the Latin American field has not followed with as compelling a framework for studying politics *after* regime change. In shifting its post-transition focus to the subject of democratic consolidation the field has recognized the importance of understanding whether and how newly democratic regimes can become institutionalized, but it has yet to produce a successful theoretical model to explain their relative capacities to do so. Recent attempts to exploit more fully the explanatory potential of the transitions from authoritarian rule have yielded sophisticated accounts of the comparative stability and possibilities for reform in postauthoritarian political orders. In that they at best only partially illuminate the dilemmas of democratic consolidation, however, they also reveal the exhaustion of this approach.[3] Paradoxically, studies focused more explicitly on whether democratic regimes will survive and how to break the cycle of military intervention have failed to an even greater extent to provide a convincing explanation for why, even after rotations of office and partial economic recovery, many of the region's democracies barely manage to limp along in an unconsolidated state.[4]

[1] Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991).

[2] The flagship of this literature is Guillermo O'Donnell, Philippe C. Schmitter, and Laurence Whitehead, *Transitions from Authoritarian Rule: Prospects for Democracy* (Baltimore: Johns Hopkins University Press, 1986). The work has nonetheless been criticized of late for its inability to provide a causal explanation of why regime change takes place and to predict when and where it will happen. See Karen Remmer, "New Wine or Old Bottlenecks? The Study of Latin American Politics," *Comparative Politics* 23 (July 1991); and Peter H. Smith, "Crisis and Democracy in Latin America," *World Politics* 43 (July 1991).

[3] The argument that how "transitions to democracy" take place determines the extent of the break with the past represented by the regime change has been best articulated by Terry Lynn Karl, "Dilemmas of Democratization in Latin America," *Comparative Politics* 23 (October 1990). Marcelo Cavarozzi was the first to critique the extended utility of the "transitions" framework to which we have all contributed. See Cavarozzi, "Beyond Transitions in Latin America" (Paper presented to the Congress of the Latin American Studies Association, Washington, D.C., April 4–7, 1991).

[4] On the unconsolidated state of Latin America's new democracies, see Laurence White-

One reason for this explanatory gap may be that the literature of dem ocratic consolidation in Latin America has attempted to assess the futu without paying sufficient attention to the influence of Latin America recent past on the current organization of political interests and powe As Karen Remmer laments in *Military Rule in Latin America*, "Schola moved from the study of democratic breakdown to the study of dem cratic transitions without pausing to analyze the authoritarian phase th came in between" (p. 24).[5] In the absence of such analysis, scholars mo often assume either that a series of changes in political culture propitio for democratic consolidation occurred during this period or that th agenda of democratic consolidation today is simply to correct the inst tutional deficiencies that led to the breakdown of democracy more tha two decades ago. Hence, much of the field has not only underestimate the challenge of democratic consolidation but also has failed to apprecia how this challenge has been shaped. In particular, they do not conside how the programs and policies of authoritarian regimes worked to dis mantle or restructure the informal networks and formal institutions o political representation that had buttressed their democratic predecessor for decades. To the extent that military regimes altered the societal base for political association and participation, the relationship of politica parties to their constitutents, the networks of mediation through whic states organize the consent of their societies, and in some cases even th institutional framework for political competition, their political legacie influence heavily the prospects for democratic consolidation and henc need to be brought into sharper focus.

The purpose of this essay is to explore the impact of the recent au thoritarian past on political representation and the prospects for democ racy in Latin America today. The essay proceeds as follows: first, it ques tions the prevailing wisdom of the transition and consolidation studie under review—that political culture has become more solidly democrati within all the former "bureaucratic-authoritarian" countries, that elec toral reform and constitutional engineering can generally consolidate weak democracies, and that electoral realignment has followed directly

head, "The Alternatives to 'Liberal Democracy': A Latin American Perspective," *Political Studies* 40 (Special Issue 1992).

[5] There are exceptions, most notably, J. Samuel Valenzuela and Arturo Valenzuela, eds. *Military Rule in Chile: Dictatorship and Oppositions* (Baltimore: Johns Hopkins University Press, 1986); Abraham F. Lowenthal, ed., *The Peruvian Experiment* (Princeton: Princeton University Press, 1975); Cynthia McClintock and Abraham F. Lowenthal, eds., *The Peruvian Experiment Reconsidered* (Princeton: Princeton University Press, 1983); and Marcelo Cavarozzi and Manuel Antonio Garretón, *Muerte y resurrección: Los partidos políticos en el autoritarismo y las transiciones en el Cono Sur* (Death and resurrection: Political parties in authoritarianism and the transitions in the Southern Cone) (Santiago, Chile: FLACSO, 1989).

om structural changes in the electorate and is a wholly positive devel-
›ment. Next it attempts to provide a framework for understanding
hen authoritarian rule provoked change and when it preserved conti-
ıity in the cultures and institutions of political competition and repre-
ntation of the different countries where it prevailed. Drawing upon
ose works under review that take the field's first serious steps toward
amining the authoritarian period, I suggest that the fate of clientelistic
ıd corporatist networks of mediation between state and society prevail-
g at the onset of authoritarian regimes, as well as of those constructed
›on the representative base of programmatic political parties—that is,
hether these networks were altered, preserved, or destroyed—followed
›m the economic policies and political strategies pursued by authori-
rian regimes. The essay concludes with the suggestion that the design
d strength of representative institutions and networks that emerged
›m the dictatorships are molded but not forever fixed by authoritarian
licies. Rather, the profound economic changes under way in many
wly redemocratized countries in South America and the ways in
ıich political parties and social groups respond to them will contribute
an ongoing reformulation of networks of political representation and
nce the future of democracy on the continent.

II

ıe militaries that overthrew elected governments in Brazil in 1964, in
rgentina in 1966 and again in 1976, and in Chile and Uruguay in 1973
me to power with bold projects of transformation.[6] They established
thoritarian regimes without limit of tenure as vehicles for restructur-
g fundamentally the economic and political organization of their states
d societies. Military governors followed up their initial, ruthless steps
obliterate the political Left and roll back decades of labor gains with
ıbitious, if often ill conceived projects to transform political institu-
›ns and create new patterns of political association, participation, and
presentation. Their ambitions for political change put distance be-
'een themselves and the politicians who had supported their takeovers.
The transformative impact of military projects was less than their ar-

' These regimes became known as "bureaucratic-authoritarian," a term coined by Guil-
mo O'Donnell, ed., *Modernization and Bureaucratic-Authoritarianism: Studies in South
erican Politics* (Berkeley: Institute of International Studies, University of California,
rkeley, 1973), to capture the pronounced participation of technocrats in the authoritarian
ǵimes that swept to power in the latter phases of import-substituting industrialization.
ıey set out to stabilize the economy, impose political order, and demobilize the popular
tors in order to reduce inflation and attract foreign investment.

chitects had anticipated. With the exceptions of the achievement of spectacular economic growth rates by the Brazilian regime[7] and the control of public expenditure and restructuring of patterns of ownership, regulation, and foreign trade by the Chilean regime, these regimes by and large did not solve the economic problems that they inherited (stagnation, unemployment, dependency, inequality), as Manuel Antonio Garretón has argued in *The Chilean Political Process* (p. 108). Indeed, a few, such as the Argentine military regime that took power in 1976, led their nations toward financial ruin. The military regimes of South America made even less progress toward achieving their vaguer, somewhat quixotic, political ambitions. Some did manage to set back popular organization for several decades, but the larger political projects of these military regimes failed dramatically—regardless of the degree of control they retained over the process of regime transition.[8] Unlike the Argentine military, which retreated to the barracks ignominiously after its debacle in the 1982 South Atlantic war, the Brazilian military dictated the pace of its abdication of power. Yet the Brazilian military was arguably little more successful in restricting labor rights and rendering traditional politicians irrelevant after its departure from government than were the Argentine armed forces in eliminating the Peronists. Throughout the Southern Cone of Latin America, the populists and socialists whom the military regimes had hoped to banish from the political scene survived military rule and resurfaced with significant constituencies.

These "failures" nothwithstanding, no serious scholar of Latin American politics is entirely dismissive of the period of military rule. As Garretón argues, the failure of the historical projects of these military regimes "does not mean that the societies involved have not suffered changes and transformations. Nor does the transition toward democratic regimes imply that there is nothing new under the sun or that everything picks up where it left off before the dictatorship" (p. 108). Nonetheless, very few scholars actually credit military programs and policies with moving society in new directions. Most instead take the approach that even if these military regimes failed to accomplish their ends, time and the opposition movements organized in response to their policies may in

[7] During the Brazilian "economic miracle" of 1969–73, the economy grew by an average of 11 percent per year, led by an expansion of intermediate and heavy industry. At the close of the period of military rule in 1985, Brazil's economy was the eighth largest in the Western world.

[8] What these military regimes hoped to accomplish was not always clear. The Uruguayan regime vacillated between favoring corporatism and "traditional" political parties, and the Brazilian, between villifying traditional politicians and exalting them.

any event have transformed their societies, usually in ways not intended by the regimes.

This general view has given rise to a series of optimistic assumptions—about political culture in general and about specific countries—that runs throughout the literature on Latin American democratization. Both the transitions and consolidation literatures, and much of the work under review here in particular, do not believe that military rule dismantled the economic, social, political, and cultural pillars of competitive politics in the region. Scholars across conceptual frameworks, however, do expect that the prospects for democracy were strengthened by other changes in political culture. Most significantly, they expect that a declining propensity among civilians to support military intervention in politics can counter a trend toward the militarization of political life,[9] and they assume that a strengthened commitment to, and willingness to sacrifice for, liberal democracy on the part of those groups who must bear the cost of adjustment will allow governments to manage economic crisis better than in the past.[10]

Within this general perspective, scholars assume different degrees and directions of political change in the various countries that recently emerged from military rule. Where democracy was previously deeply rooted and functioned well, as in Chile and Uruguay, regime change is widely expected to restore a less polarized, more conciliatory version of the precoup democratic order. By contrast, where it was never fully inclusive or well established and where it periodically malfunctioned, observers anticipate more change as a result of authoritarian rule. Most scholarship on Peru, notorious as one of the region's weakest democracies, highlights enormous change in the Peruvian state and society since the military coup of 1968; for the most part, however, it glosses over the threats to democracy posed by the failures of the military to eliminate landlessness and to achieve national integration.[11] Similarly, most stu-

[9] As a result of military rule, the prerogatives and influence of the military over day-to-day political developments increased virtually everywhere in Latin America with the possible exception of Argentina (where gross human rights violations and military unpreparedness in the 1982 South Atlantic War devastated military prestige). This development was not reversed with redemocratization. In Brazil, notes Stepan, "*no* substantial military prerogatives were challenged" (p. xvi); and in Chile, by the terms of the constitution written by the military, President Patrício Alywin, elected in 1990, inherited the members of the junta governing the country in 1988 as chiefs of the four military services for his entire term in office.

[10] See Karen L. Remmer, "The Political Impact of Economic Crisis in Latin America in the 1980s," *American Political Science Review* 85 (September 1991). She asserts that this is true to such an extent that economic crisis has not to date favored extremist options at the polls.

[11] Abraham F. Lowenthal, "The Peruvian Experiment Reconsidered," in McClintock and Lowenthal (fn. 5). Lowenthal makes the strongest case for change but does not commit this error.

dents of Argentina cautiously hope that the civilian elite may finally ha broken off its romance with the military, that Peronist unionists m finally have traded in their hubris for humility, and that mass praetor anism is a thing of the past. Perhaps nowhere has change been heralde more than in Brazil, the Latin American democracy threatened not b political polarization but by excessive elite domination and gross inequa ity.[12] There, the prospects for democratic consolidation were allegedl improved structurally by economic and demographic change, invigo rated by the growth of free unions and new social movements in a sphe that had autonomy from the state, and bolstered by the rise of new po litical parties.

Beyond this broad consensus, different conceptual frameworks em phasizing different manifestations of change or continuity from pre- t postauthoritarian regimes suggest different propositions about the op portunities and problems of democratic consolidation. The transition literature holds that civil societies that struggled against military dicta torships have the potential to weaken the cultural foundations of author itarianism and serve as a genuine basis for democracy. One importan strand of the literature on democratic consolidation contends that th new consensus for democracy can be strengthened and political instabil ity reduced by electoral and institutional reforms that make democrati government more workable and less vulnerable to the petty squabbles c self-interested politicians. And others are hopeful that the destructiv confrontations of the past will not be repeated, because the new politica generations that came of age during military rule were able to escape th socioeconomic circumstances and political memories that perpetuate the crusty cleavages of preauthoritarian politics. These propositions an their underlying assumptions are sufficiently important to scholars o Latin America and comparative regime change more generally to war rant closer examination.

Cultural Change

Perhaps the most important and universally accepted tenet of the litera ture on regime change in Latin America is that the prolonged episode o military rule has decidedly (if only for an indeterminate period) alterec political culture in ways that are particularly propitious for the consoli dation of democracy. As Remmer has put it: "Recent authoritarian ex-

[12] The state of the literature on Brazil is reflected in Margaret J. Sarles, "Government and Politics: Brazil," in *Handbook of Latin American Studies* 47 (1985): "The literature on Brazilian politics suggests that the country will never return to the pre-1964 form of democracy (p. 554).

periences have generated a new enthusiasm for democratic governance, a positive evaluation of competitive electoral processes, and a willingness to compromise and moderate demands in the interest of avoiding relapses into authoritarianism" (p. 201). In their introduction to *Democracy in Developing Countries: Latin America*, Diamond and Linz similarly identify as "one of the most important causes for optimism about the future of democracy in these countries" the " 'revalorization' of democracy and moderation of political behavior" on the part of the publics, politicians, and especially former leftists of Brazil, Argentina, Chile, and Uruguay. These lessons, the authors contend, were learned through the bitter experiences of democratic breakdown and repressive, bureaucratic-authoritarian rule (p. 12), a claim that echoes throughout the country studies.[13]

Especially where states were strong and societies weak, according to a subset of the democratization literature, the new political associations and social movements of civil society that emerged to oppose centralizing dictatorships can play an important role in democratization in the future. They can inspire popular political participation and serve as a check on the perpetual ambitions of strong states to expand and concentrate their already considerable authority.[14] In this genre, *Democratizing Brazil* welcomes the development of new horizontal solidarities in civil society as one of the most radical and promising manifestations of change set in motion in Brazil during the authoritarian period of the 1970s. Alfred Stepan's succinct introduction and the contributions by Della Cava, Mainwaring, Alvarez, and Keck laud the clergy and lay workers of the Catholic church, grass-roots popular organizations, autonomous women's movements, and new labor unions for challenging a corporatist state historically adept at quelling social protest. These essays make a double claim. First, civil society emboldened the opponents of dictatorship over the course of a decade of political liberalization and restrained any intentions on the part of the military to institutionalize a limited form of democracy. And second, the new social movements that operated as self-

[13] Despite executive-legislative conflict, a lingering threat from the military, and a wave of strikes, Gillespie and González remained optimistic that Uruguayan democracy would be able to strengthen and consolidate itself because "a major revalorization of democracy as a necessary component of civilized life has taken place on all sides" (in Diamond, Linz, and Lipset, 238–39). Waisman, though more tentative, also hoped that the commitment of Alfonsín and the Radical Party to liberal democracy and "the shift toward moderation and tolerance that the recent traumatic experiences produced in most interest groups and political parties" could offset the threats to democratic consolidation presented by mass praetorianism and corporatism (p. 99).

[14] Such a view has also been put in the form of a theoretical proposition by Diamond and Linz (p. 35) with preliminary support from the Costa Rican and Venezuelan cases.

managed political communities contributed to the democratization of political culture by resocializing and politicizing the women, religious workers, and slum dwellers who participated in them.

Stepan explicitly sets out to answer the critical question: "Can the energy created in the anti-authoritarian resistance be sustained and contribute to the tasks of completing a still incomplete democratic transition, consolidating political democracy, and eventually expanding this new democracy's economic and social content [p. viii]?" The volume is of two minds on this issue. On the one hand, the empirical contributions of the book's third part commend important changes in the social mobilizational capacity of the popular sectors and even small changes in political culture; they imply a hopeful if tentative yes to Stepan's question. On the other hand, the essays, written by Brazilians, in the fourth and final part of the volume (which was intended to frame a discussion about democratic theory) are an uncomfortable reminder that the specter of the "dead weight of the past" haunts postauthoritarian Brazil (Cardoso, p. 307). In a brilliant and searing essay, Francisco Weffort, the former secretary-general of Brazil's foremost nontraditional party, the Workers' Party, challenges the claim that Brazil's political culture has become less statist. Rather, he suggests, the behavior of political activists and leaders of all ideological stripes conforms to their past political socialization, a socialization that was almost always conservative (p. 330). He tells a particularly damaging story of one of the leaders of the Democratic Labor Party, one of the few Brazilian political parties advocating political change. The leader saw the greatest value in his party's electoral victory in the state of Rio de Janeiro in 1982 as providing the party with a "base" from which to build itself up in the country. The base, of course, was the spoils of power: state money, state jobs, and political positions in the state (p. 336). This, together with the frequent recourse to statist solutions by a wide spectrum of political practitioners, leads Weffort to judge that "the political tradition molded by the oligarchs and the dictatorships is still with us" (p. 334), even as he places his hopes for democracy, and freedom itself, on "inventing" and "enlargening" civil society.

If Weffort is persuasive about the enduring strength of the Brazilian state, Maria do Carmo Campello de Souza is sobering about the persistent weakness of civil society. With the advantage of hindsight—this essay was written several years after the other essays in the volume were drafted—she questions the assertion that the "new social movements" born of the *abertura*, or political opening, penetrated and permanently changed Brazilian political culture.[15] Excepting the (new) labor union

[15] In the spirit of postscripts to their contributions, Della Cava and Mainwaring reluctantly

movement, which has grown impressively since the change of regime and perhaps forever changed union-state relations in Brazil, she observes, the social movements of civil society mobilized during the last years of the dictatorship, which had reached an intensity "unseen during the populist-democratic period," were "demobilized" by the New Republic (p. 354).

This clash of perspectives in *Democratizing Brazil* raises the compelling question of how it was possible for civil society to appear so vibrant one moment and so feeble and impotent the next. Aside from the special case of the church, whose direction is profoundly influenced by the Vatican, it would appear that either the relationship between civil society and regime changed with the change of regime or that scholarly analyses extolling the potential of these movements to democratize political culture were overly optimistic. This question implies an even larger problem. Stepan's pioneering but by now familiar approach of viewing the breakdown of these authoritarian regimes and democratization as initiated by intrastate/regime divisions and propelled by societal protest does not yield a conclusive answer. However well this framework captured the momentum of the transition from authoritarian rule, it cannot adequately predict when this dialectical process of "regime concession and societal conquest" will result in continuity and when it will produce change. In the case of Brazil, it could not have predicted that the New Republic would evolve from the heady days of its birth—when great change seemed possible—to the state of political sclerosis aptly described by Campello de Souza. Admittedly, the book would have been better able to account for continuity had the forces of the "regime" and the responses of those political and social forces resisting the democratizing pressures from below not been so underrepresented in the volume. (Stepan's own, splendid analysis of the military has been published in an entirely separate volume.)[16] Yet the book simply ignores the role of the bourgeoisie, agrarian elites, and traditional politicians in the transition from authoritarian rule.

But even so corrected, the focus on the clash between regime and social movements would still lack analytical power. Though the fine essays in *Democratizing Brazil* would successfully describe the persistence of a statist political culture and the fizzling of social movements, they could not provide a convincing causal explanation of *why* the state thus triumphed over society. They would similarly not be able to illuminate a

concede the growing weakness of the progressive grass-roots movements within the Catholic church and the neighborhood associations of Nova Iguaçu.

[16] Stepan, *Rethinking Military Politics: Brazil and the Southern Cone* (Princeton: Princeton University Press, 1988).

number of key questions: why the largest delegation in the Congress elected in 1986 was composed of former members of the defunct pro military party; why party parliamentary politics in the New Republic continued to be characterized by "a vast center whose boundaries and backbone are unknown, an ideological and political arena in which everyone seems to be in alliance with everyone else, yet each is actually alone"; why the central variable in explaining party membership remains "access to State clientelism"; and why a dramatically altered party system was still a "loose articulation of regional elites" (Campello de Souza, 355 356, 371).

Along with what has proved to be a misguided expectation that an invigorated civil society would bring significant change to Brazil, the democratization literature has also asserted with great confidence that everywhere in Latin America political culture has become more supportive of democracy. The widely articulated view that there has been a broad change in mass attitudes is based on evidence taken from public opinion surveys. In Chile, Remmer reports, over 58 percent of a 1987 national survey favored democracy versus approximately 9 percent who preferred authoritarianism; and 70 percent preferred to choose the next president in free elections as opposed to the 12 percent who opted for the plebiscite formula proposed by Pinochet. Moreover, residents of greater Santiago identified much more strongly with the Center than at any point stretching back to the 1950s (p. 202); in 1986 the percentage of those identifying with the Center was 41.2 percent, as opposed to 26.8 percent in 1973.[17] McClintock reports a comparable shift in public opinion in Peru: in 1965 only 20 percent of respondents to a survey strongly agreed that "in general our system of government and politics is good for the country," whereas in 1988, 81 percent of Limeños and 75 percent of respondents nationwide preferred democracy (over socialist revolution and military coup) as the most "adequate" type of government for their country (McClintock, in Diamond, Linz, and Lipset, 355, 359).

These polls from Chile and Peru suggest that given a choice between democracy and dictatorship, after a long episode of dictatorship, people prefer democracy. We should of course be careful not to underestimate the importance of this shift in public opinion in forestalling military coups, but we should also be careful not to overestimate the intensity of this opinion as well as not to overstate the extent to which political culture has changed in a few short years. Despite increasing voting rates in

[17] Carlos Huneeus, *Los Chilenos y la política: Cambio y continuidad bajo el autoritarismo* (Chileans and politics: Change and continuity under authoritarianism) (Santiago, Chile: Salesianos, 1987), 162.

he early 1980s and expressions of rather consistent support for demo-ratic governance in public opinion polls in Lima for much of the decade, n April 1992, two days after President Alberto Fujimori rolled out the anks and closed Congress for its refusal to back his proposed economic eforms, 73 percent of those surveyed in the capital supported the presi-lent's usurpation of power.[18] The volatility of public opinion in this case uggests that surveys of popular attitudes toward regime type alone pro-ide an insufficient basis upon which to affirm that there has been more han an ephemeral transformation of political culture.

To the contrary, it is just as likely that beneath the reversals of eco-omic fortune in some countries and the peaceful alternations of power lmost everywhere in Latin America lies a widespread disaffection, if ot with the idea of democracy then with existing democratic regimes nd established political parties. Last year's two coup attempts in Vene-uela and the successful coup in Peru may be only the most dramatic llustrations of this phenomenon. Alternations in power that are ap-lauded as symbols of the maturing of democratic systems might also be nterpreted as the result of deep political disillusion. And the exaggerated olatility of Latin American electorates in the 1980s, very much a result f faltering economies, could also be taken as a manifestation of a deeper risis of political representation that has its origins in the closure of po-itical space and the sharp separation of politicians from their constitu-nts during the authoritarian experience.

Support for the hypothesis that there has been alarming growth in opular disenchantment with politicians and established parties can be ound especially in those countries with relatively underdeveloped polit-cal parties. In Brazil, voter turnout in only four years (1986–90) plunged rom 95 percent to less than 70 percent, and the number of blank and poiled ballots cast rose sharply in 1990 to 31.5 percent, a level even igher than that registered at the height of the dicatorship in 1970, when he opposition was encouraging such symbolic protest. The decline in oting and popular participation as a whole in Brazil might be ascribed n part to other factors, such as the relative "moderation" of military rule the predisposition to compromise is widely believed to vary together vith the degree of repression experienced under authoritarian rule). Fur-hermore, police actions under civilian governments that still infringe on he rights of the lower classes do little to consolidate popular support for lemocratic governance (Campello de Souza, in Stepan, 364–66). There s a more plausible explanation, however. The 1989 election to the pres-

[18] Poll conducted by the Peruvian Enterprise of Public Opinion (POP), as reported in *Folha le São Paulo* (Brazil), April 8, 1992, sec. 2, p. 1.

idency of Fernando Collor de Mello, a man without a political party ju weeks before the election, suggests that this decline in participation sten from the fact that political parties have weaker ties to the electorate thi ever before. Similar manifestations of disenchantment with establishe parties were also evident in Peru's most recent presidential election. P ruvian voters rejected the clear choices presented by the incumbent ce ter-left APRA party and the coalitions of leftist and rightist parties (tl United Left and the FREDEMO headed by the popular writer Mario Va gas LLosa) in favor of the political outsider Fujimori. The rising fortun of these and other politicians who rode to power amid economic cris on demagogic pledges to alleviate the material suffering of the mass have led scholars to claim that a "new populism" is afoot in Latin Ame ica.[19] In the political systems in which the new populism has triumphe political parties are organizationally weak, most of the electorate is poli ically unorganized, and popular support for leaders is highly unstabl The election of Collor, Fujimori, and other "populist" politicians has n alarmed many scholars, because these politicians are not "leftists." Bı the extreme ineffectiveness of Collor's government even before the re elations of corruption that toppled his administration and Fujimori coup suggest that they are more dangerous than prosystem leftists wit disciplined supporters.

One can also call into serious question at the elite level the propositio that strengthened preferences for democracy will modify posttransitio political behavior and will provide incentives for politicians and repre sentatives of organized interests to compromise. Such a proposition i based on the hope of negotiating political pacts that can deliver result similar to those achieved by the pacts struck in Colombia and Venezuel in 1958. After a decade of authoritarianism (and, in the case of Colombia violent civil war), those pacts secured liberal democracy through politica exclusion and economic inclusion, respectively.[20] A close reading of the accounts by Jonathan Hartlyn and Daniel Levine in the Diamond, Linz and Lipset volume, however, makes it evident that such optimism ma not be warranted. In the former bureaucratic-authoritarian regimes it hardly seems imaginable that a restoration of oligarchical democracy

[19] Graciela Ducantenzeiler, Philippe Faucher, and Julián Castro-Rea, "Back to Populism Latin America's Alternative to Democracy" (Paper presented at the annual meeting of the American Political Science Association, San Francisco, August 30–September 2, 1990); Ca rina Perelli, "The New *Caudillos* and Democracy without Parties" (Paper presented at the Conference on Political Parties and Political Representation in the Post-Authoritarian Era Woodrow Wilson Center for Scholars, Washington, D.C., November 8–9, 1991).

[20] Remmer (fn. 10), 793–94, cites movement toward political pacts in several countries as *reason to be optimistic about the future of democracy amid economic crisis.*

omparable to that achieved by the National Front in Colombia is posible (though the Brazilian political class has boldly tried). The Venezuean accords, moreover, were predicated not only on oil wealth unavailble to today's democratizers but also on the existence of robust mass rganizations with strong ties to parties.

Political and social pacts have been negotiated in some countries. In hile center and left parties formerly locked in bitter competition today hare government in a stable, sixteen-party "*Concertación* of Parties for emocracy." But the mere achievement of pacts does not automatically uarantee their success, and the promising political pact in Chile may in act be exceptional. Let us consider the case of Argentina where, if reression indeed has instructed political elites and the leaders of corporate roups in the errors of their intransigent political behavior, the intensity f the "*Proceso*" should have provided as great an incentive for political onciliation as could be found anywhere in Latin America.[21]

William Smith's fine account of economic policy-making during the lfonsín years in *Authoritarianism and the Crisis of the Argentine Political conomy* casts doubt on the assertion that political behavior on the part f corporate group leaders and party elites in Argentina perceptibly hanged with redemocratization. That business and labor, politicians, nd intellectuals were amenable to conciliation is evidenced by their faorable response to calls in the mid-1980s for European-style *concertación* o combat three-digit inflation, especially in light of the quick failure of imilar social pacts in 1974. The enthusiasm of social sectors for negotiting with the Radical government, however, was dampened by the disnterest of economic minister Grinspun in sharing responsibility for economic matters with entrepreneurs and representatives of labor (p. 286). nd while business and labor initially seriously contemplated such coperation and indeed continued to meet for this purpose even as the arallel meetings taking place under state sponsorship began to falter, hey eventually resisted absorbing the costs of austerity. Rather, they reerted to their customary behavior: "Labor, and especially capital, operted as textbook examples of free-riders hell-bent on transferring the osts of stabilization onto each other or onto consumers and the state" (p. 54). Nor has there been greater cooperation in the legislature than in he past on the part of the rival political parties who participated in the *nultipartidaria*, a grouping of the five largest parties led by the Peronists nd the Radicals who came together in 1981 to reject the military re-

[21] Argentina has the dubious distinction of having had the highest per capita murder rate f the bureaucratic-authoritarian regimes: at least nine thousand middle-rank union officials, arty cadres, teachers, and student activists died in what the Argentines call the "dirty war."

gime's timid offer of political dialogue (p. 255). With the military bac in the barracks, the Peronists and the several small parties who co trolled a majority in the Senate in 1984 defeated a government propos in the legislature to democratize the unions; and later that year the Ra icals failed to forge a governing pact with the other major parties (tl *Acta de Coincidencias*) (p. 274).

The inability of key players to modify their behavior reproduced oth political patterns from Argentina's authoritarian past. Frustrated by tl utter lack of cooperation from opposing political parties, labor (the CGT industrialists (the UIA), and agrarian interests (the SRA) in confronting tl economic crisis, the Alfonsín administration, despite its impeccable den ocratic credentials, lapsed into a technocratic policy-making style, optin to "manage the economy and the structures of economic power inherite from the days of authoritarian rule" (Smith, p. 255). Without agreemer among the major players, the Argentine economy collapsed and vaulte into hyperinflation in July 1989. The new course charted by Presider Carlos Menem did not follow from a change in national political cultur although it may yet lead to one. Menem was selected as the standard bearer of the Peronist party over the candidate of the movement to re form Peronism (*Peronismo Renovador*); and in 1989—still appearing as symbol of unreconstructed Peronism—he was elected by the Argentin electorate over the incumbent Radicals, who had swept into power i 1983 as the party that most valued liberal democracy.

In other countries pacts have been even more difficult to negotiat There has been no national agreement in Brazil, for example, wher elites have historically been predisposed to compromise. There, mult party cabinets are neither a product of a conciliatory strategy nor a bas for regime stability; rather they came into being as an ad hoc if necessar response to the president's lack of party support in the legislature. A neither the level of the elite nor the level of the mass public are devel opments as uniformly encouraging and culture change as pervasive a the literature on regime change would lead us to believe. Even wher the shift in public attitudes captured by polls is real and deep, wher business and labor leaders are genuinely more apt to cooperate, and where the political class is prepared to compromise on policy and regu late its internal competition, there is much to be done to institutionaliz this change.

Consolidation and Continuity?

Capable scholars in the Latin American field recognize that democratic consolidation cannot be guaranteed by good will alone. In the forefront

of the search for ways of strengthening new and newly restored democratic regimes is the Democracy in Developing Countries project. This project represents a return to the long tradition in the social sciences of attempting to identify the social requisites, correlates, or conditions for democracy, with an eye toward prescribing the optimal set of conditions or design of institutions for fostering and maintaining democratic regimes. Eschewing parsimony, which is at once the project's strength and its weakness, the editors of *Democracy in Developing Countries: Latin America*, Diamond, Linz, and Lipset, commissioned their talented contributors to assess the contribution of ten historical, cultural, social, political, and economic factors—among them the colonial experience, ascriptively based cleavages, the degree of inequality, and state strength—to the emergence and consolidation of liberal democracy in ten countries.

This framework, in its attempt to be scientific, has reopened the political scientists' version of the nature-nurture debate—economics or culture—at such a gross level that it is not surprising that the historical analyses presented in the country studies offer contradictory evidence. On the one hand, John Booth suggests that the belief that smallholder agriculture was crucial to Costa Rica's success in consolidating democracy is only partly true. There and elsewhere (for example, Chile, Colombia, and Venezuela) democracy was a political achievement not a socioeconomic inheritance. On the other hand, Bolivar Lamounier's impressive contribution persuasively argues (p. 125) that Brazil's failure to reduce socioeconomic inequality impeded the consolidation of democracy in the period from 1945 to 1964 (p. 125), which suggests that nations cannot transcend the fundamental constraints of socioeconomic inequality and the concentration of wealth and power.

The volume ultimately does not resolve these ambiguities. *Democracy in Developing Countries: Latin America* is but one in a four-volume series that surveys the democratic experiences of twenty-six countries from a cross-regional perspective; the forty-nine tentative propositions about the likelihood of stable, democratic government to be generated by the larger project will only be reported with the completion of the series. But implicitly the volume on Latin America seems to assign a determining role in democratic development to political institutions, not merely because little can be done about levels of economic development and ethnic and racial cleavages but also because of the project's lineage. *Democracy in Developing Countries* is the intellectual heir of *The Breakdown of Democratic Regimes*.[22] The broad thrust of that earlier work was that the fail-

[22] Juan J. Linz and Alfred Stepan, eds., *The Breakdown of Democratic Regimes* (Baltimore: Johns Hopkins University Press, 1978).

ure of institutions exacerbated political conflict and failed to prevent the breakdown of democratic regimes in Europe in the interwar years and in Latin America in the 1960s and 1970s. Within this tradition, Diamond and Linz primarily fault the deadlock between assertive legislatures and powerful executives in presidential systems for the breakdown of democratic regimes in Colombia in 1949, Brazil in 1964, Peru in 1968, and Chile in 1973 (p. 24).

Focusing, then, on the potential contribution of better-designed political institutions to democratic consolidation, the essays in *Democracy in Developing Countries: Latin America* feature two recommendations for institutional change: (1) discarding presidential in favor of parliamentary systems; and (2) reforming electoral laws. These reforms, the authors argue, would ease the systemic strains that provoked the earlier breakdowns of democracy. Parliamentarism would institutionalize the need for democratic compromise in multiparty systems where presidents often lack governing majorities in the legislature, and revised electoral laws would strengthen political parties. The strongest case for abandoning presidentialism for parliamentarism is presented by Arturo Valenzuela, who argues that the dramatic 1973 breakdown of democracy in Chile was the result of political polarization caused by unbridled party competition in a winner-take-all presidential system. "Had Chile been governed by a parliamentary regime," he contends, "Allende's government might have fallen, but democracy would have survived" (p. 187). To strengthen political parties and party discipline in Brazil, Bolivar Lamounier advocates some form of parliamentary system, as well as the electoral system practiced in Germany (which awards half the seats in the legislature in majoritarian elections and half according to proportional representation) (p. 152). In particular, Lamounier endorses the adoption of closed lists for those seats determined by proportional representation. He sees this as a means of enhancing the authority of the parties over individual candidates. (Brazil's open-list system, he and others argue, undermines party discipline.) Gillespie and González propose the abolition of the peculiar Uruguayan electoral institution of the double simultaneous vote (DSV) in order to overcome the extreme fragmentation of parties (pp. 237–38).[23]

If flawed institutional designs have undermined efforts to consolidate

[23] The double simultaneous vote permits parties to present more than one list in each election, and the number of seats for each party is determined using a modified d'Hondt form of proportional representation, first for the party as a whole and then by the same method among rival factions of each party. Presidential elections, held at the same time, are also subject to the DSV; the victor is the candidate who polls the most votes *of the winning party* (Gillespie and González, in Diamond, Linz, and Lipset, 212–13).

ıew democracies, as these essays imply, then calls for their reform would ındoubtedly have a powerful appeal. As Gillespie and González com- ›ellingly argue, abolishing the DSV might enhance the coherence of Uru- ;uayan parties. And were Chile to adopt a parliamentary form of gov- ·rnment, thereby eliminating executive-legislative impasses and forcing trong, programmatic minority parties to compromise on policy differ- ·nces to sustain governing majorities, it might indeed gain a modicum ıf governmental and regime stability. But where parties are weak, it is ıot obvious that institutional reform can single-handedly prevent dem- ›cratic breakdown *and* enhance governability, as its proponents purport.)iamond and Linz, writing in 1988, accurately criticized the "debilitat- ng rigidities" of presidentialism in Peru and Brazil, "where presidents vhose programs have failed catastrophically and whose political support ıas evaporated must limp through more than a year remaining in their erms with virtually no capacity to respond effectively to the deepening conomic and political crises" (p. 25). But their failure to consider the lternative—that had Brazil and Peru had parliamentary government, he result might have been a *succession* of weak governments headed by ›rime ministers no more capable of marshaling support for austere eco- ıomic policies than a president—diminishes not only the attractiveness ıf the proposed reform but also its credibility as a possible explanation or incomplete democratic consolidation.

A deeper analysis of proposed constitutional changes in light of na- ional patterns of political competition and representation would perhaps nore accurately be able to estimate their chances for success, as well as eveal some potentially damaging side effects. If the scramble for state obs and resources that accompanies the frequent formation of cabinets n Brazil is instructive, negotiation among parties to form parliamentary najorities would only intensify the rampant state clientelism that has lestroyed the nation's fiscal health.[24] Proposed electoral reforms could imilarly produce ambiguous effects. Adopting a closed-list system of ›roportional representation may indeed be desirable from the point of 'iew of strengthening party discipline, but it is not at all clear that such eform in Brazil would attenuate intraparty competition and clientelism. ntraparty competition is sometimes strident not only because of the in- 'entives of the open-list system but also because candidates for deputy ›ase their electoral appeals on their ability to deliver state patronage to heir constituents, rather than on their party platform.[25] The fact that

[24] See also the cogently argued apprehensions of Campello de Souza (in Stepan, 383).

[25] Intraparty competition, if indeed strident, may have been exaggerated in the case of 3razil. In the current system deputies do not run against all colleagues on their party slate,

candidates for the programmatic Workers' Party (PT) campaign very (ferently (that is, without promising to be the best brokers of particul istic benefits) in the same electoral system suggests that political com tition is not driven exclusively by institutional arrangements; it is a driven by the relationship of parties to their constituents. Adopting closed-list system in those Brazilian states where executive committ of parties (and hence the authority to order party lists) are in the hai of closed oligarchies of old elites also carries a hazard of engendering even more centralized variant of clientelism than that which exists tod one akin to the tyranny of the executive commissions of the regio republican parties that governed the nation exclusively in the early p of this century.

These criticisms of proposals to reform political institutions are i offered to mount a case against reform. Rather, they imply that an an ysis of the full impact of institutional reform needs to be integrated w other features of a country's patterns of political competition and rep sentation. It is regrettable that the current fashion for studying consti tional structures and electoral laws has tended to exclude considerati of political processes and practices (dare I say culture?). Whether ins tutions ultimately shape processes or vice versa is a debate for the ag one that I would advocate abandoning in favor of a less elegant but p haps more powerful approach that focuses instead on their mutual int action. Moreover, to be viable, such an approach must focus on politi representation in each country at the *end* of the period of military ru not when it was last governed by a democratic regime.

Authoritarianism: Freezing Politics or Promoting Electoral Change?

Karen Remmer's theoretically ambitious *Military Rule in Latin Amer* attempts to correct for the obvious lack of attention to the period of m itary rule in the democratization literature. Its dual purpose is to ass the general impact of authoritarian regimes on policy and politics and explore causes for the variation in the effectiveness of particular milita regimes in Latin America. To the latter end, the book systematical compares the relationship of state institutions to regime capabilities several Latin American countries during military rule. The result is a admirable demonstration of how the variables of internal military org

but only against those competing for votes in the same, informally demarcated electoral d tricts. It is, moreover, not at all clear that they attack one another more ferociously than their counterparts in primary battles in first-past-the-post systems; nor is it clear that th attacks are more destructive of party unity, coherence, and discipline.

nization and military penetration of governmental institutions can explain the relative longevity of military regimes and their success in policy implementation. Hence, what Remmer calls the "feudal military regime," which governed Argentina from 1976 to 1983, for example, crumbled within seven years of its establishment and was unable to accomplish much during its tenure because of the dispersal of power among the services (including the rotation of the presidency) and because of the excessive overlap of military and government roles, which politicized and internally divided the military. By contrast, the "sultanistic" regime in Chile headed by Augusto Pinochet, which concentrated power and insulated policymakers from pressure from any source, significantly transformed the Chilean economy and society and endured more than twice as long (p. 41).

The book's focus on state institutions is less successful in determining the legacies of authoritarianism. However well it explains the extent to which a particular military government could impose its economic and social policies on society, such a focus tells us little about whether military governments were able to engineer political change, which is arguably much harder to bring about, and whether their projects ultimately prevailed or were reversed with redemocratization. Of the three legacies of military rule that Remmer identifies in an unfortunately too brief concluding discussion—heightened military influence, historically unprecedented levels of foreign debt, and changes in political culture—only variation in the first is attributed to the organization of state institutions under military rule. The degree to which political attitudes have become more firmly supportive of democracy is explained, if at all, as a function of how exclusionary authoritarian regimes were.

Separately from this framework, *Military Rule in Latin America* makes a serious attempt to determine the economic and political impact of military rule in order to discern some general principles about how consequential military governance can be. Remmer compellingly refutes the facile maxim that military regimes are better managers of the economy and better able to effect economic stabilization because they need not concern themselves with popular opinion and hence can and do stick to their policies. The military record in implementing IMF standby programs, she demonstrates, is no more distinguished than that of their civilian counterparts. But while such a focus is entirely appropriate for affirming that the economic impact of military regimes has been consistently exaggerated, it is far too narrowly conceived to serve as a basis for generalizing about the economic consequences of military rule. It does not consider the impact of economic policies that promoted exports or

substituted for imports in new lines of industries, strengthened or weakened unions, shrank or enlarged the size of the industrial work force and the peasantry, enlarged or reduced the state's role in the economy, and even piled up a foreign debt. This omission is somewhat surprising given that Remmer is aware that these factors contribute in significant ways to the economic constraints and opportunities bequeathed by military regimes to their civilian successors, and even to political change. She implies elsewhere that social and economic change accompanying a reorientation of public policy under authoritarian rule may alter fundamentally the electoral status quo ante (p. 49).

Remmer's parallel effort to measure the political impact of authoritarianism is, by contrast, targeted more precisely at explaining variation in the political consequences of authoritarianism. It represents one of the few attempts to theorize about why some political systems may have been more vulnerable than others to electoral change under military dictatorships. She asks about the effects of the suspension of normal political activity under authoritarian rule on electoral and party politics and whether authoritarian rule in the former bureaucratic-authoritarian countries promoted political change, precipitated electoral realignment, and produced new leaders. Merely posing these questions challenges the conventional view that authoritarian rule "freezes" a party system and excludes political alternatives.[26] Remmer hypothesizes that just as authoritarian rule may impede electoral realignment—because of (1) the tenacity of partisan loyalties, (2) the name recognition of party leaders when political activities are banned, and (3) the ideological hardening of parties dependent for their survival not on general electors but on their militants[27]—it may also *accelerate* realignment in other ways. Partisan loyalties may shift and new cleavages may develop within the electorate because authoritarian rule may sire new political leaders to replace those who have been killed, jailed, or exiled, introduce a new pro- or antiauthoritarian cleavage into a society, reorient public policy, and disrupt contacts between party elites and rank-and-file activists (p. 49). In examining the vote for political parties in all Latin American countries that experienced redemocratization between 1940 and 1983 after at least three years of authoritarian rule, Remmer finds that "the degree of party sys-

[26] The "freezing" metaphor is borrowed and adapted from Seymour Martin Lipset and Stein Rokkan, "Cleavage Structures, Party Systems, and Voter Alignments: An Introduction," in Lipset and Rokkan, eds., *Party Systems and Voter Alignments: Cross National Perspectives* (New York: Free Press, 1967).

[27] These reasons are cited by Garretón (pp. 169–70); and Arturo Valenzuela and J. Samuel Valenzuela, "Party Opposition under the Chilean Authoritarian Regime," in Valenzuela and Valenzuela (fn. 5).

tem continuity linked with redemocratization in Latin America over the past four decades is positively associated with party system age and preauthoritarian party system continuity and negatively associated with electoral growth, political repression, and the organization of support in noncompetitive elections" (p. 70). Moreover, the longer authoritarian regimes remained in power, the greater the change from the political status quo ante. Based on this analysis, she predicts that Brazil, with its fluid party systems, lengthy episode of only moderately repressive military rule during which time elections took place, and rapidly growing electorate with no attachments to the precoup electoral system, evinces "all of the features of the situation most likely to result in change," and that Uruguay, with its well-institutionalized party system dating back to the nineteenth century and its slow population growth, is the most likely of the former bureaucratic-authoritarian countries to exhibit political continuity (p. 71).

These two predictions have been initially borne out. In Brazil, where voter loyalty to parties was fleeting, a single decree in 1965 effectively dissolved an array of political parties that had been in existence since 1945 and replaced them with two new ones organized as official supporters and opponents of military government. As Lamounier highlights in his essay in the Stepan volume, military rule provoked a massive and unexpected partisan voting shift to the opposition Brazilian Democratic Movement (MDB) from 1970 to 1974 in São Paulo (p. 63). This party (now named the PMDB) came close to becoming politically hegemonic one year after the departure of the military from government. As Skidmore claims, electoral change was obviously accelerated by enormous economic change, the turnover of an entire generation of politicians, and rapid demographic change (more than half of the population had been born in the previous two decades)—precisely the variables identified by Remmer (in Stepan, 31–32). In Uruguay, the situation was nearly the opposite. High precoup rates of political participation left little room for electoral expansion or the mobilization of support behind new political structures, and as Remmer predicted, in the first, founding election of 1984 the "traditional" parties returned from "suspended animation" (Gillespie) with levels of voter support equal to those of the last precoup elections of 1971.

Beyond this initial confirmation, however, more party-system change may have taken place in countries in which there were theoretical reasons to believe that partisan politics *would* be "frozen." In Argentina in 1983 a Radical Party "renovated" during the period of military rule handed the Peronists their first ever electoral defeat in presidential elec-

tions, and the Right, which was historically weak, gained in strength and then again declined.[28] Realignment in Argentina took place despite the fact that the variables identified by Remmer's analysis would have suggested the opposite: parties were well entrenched, the military failed to mobilize the electorate to support its rule, and the episode of military rule was comparatively brief. In the 1992 municipal elections in Chile, a country with a stable preauthoritarian party system and an electorate left unmobilized during military rule, two new parties together captured almost one-fifth of the vote (although the lengthy period of military rule may have contributed to such party-system discontinuity). And to return to the Uruguayan example, the strong showing in the second postauthoritarian election in 1989 of the parties of the Left—those in the Broad Front and the *Nuevo Espacio* coalitions—brought their share of the national vote up from 18 percent in 1984 to 30 percent and raises the question of whether the effects of authoritarianism on politics can be fully known after only one founding election. It is very difficult to sustain the argument that electoral outcomes in second and third elections following a period of authoritarianism are not influenced by the period of authoritarian rule.

What the variable of party vote totals tells us about political continuity and discontinuity, moreover, is ambiguous. Where parties shaped political identities and organized politics, as in Chile, comparing the vote for a particular party before and after authoritarianism would be a reasonable test of the political effects of authoritarian rule—if not for the fact that it presumes that these parties espouse the same ideology and retain old constituents, that electoral laws and districts are unchanged, and that new cleavages did not form within the tracks of old voting patterns. But where parties have no distinguishing ideology and where party identification is less strong among constituents *and* leaders, party-system discontinuity in itself can reveal a certain kind of political continuity. In Brazil, for instance, fluid party systems result from parties dominated by politicians who exploit them for personal patronage deals and discard them when they no longer adequately serve this purpose.[29] In Brazil and other

[28] The Renovación y Cambio movement within the Radical Party, spearheaded by Raúl Alfonsín, reformulated party ideology and especially used new methods of political mobilization in the 1970s to broaden the constituent base of the party. In the Argentine elections of 1989, the UCEDE (Unión del Centro Democrático) garnered 12.1 percent of the vote, to emerge as the leading alternative to the Radicals and the Peronists. All together, the minor parties captured more than one-fifth of the vote.

[29] In Brazil political cleavages often correspond to political factions, and elites easily reassemble under new party labels whenever necessary. My own research has shown that the new political divide so well described by Lamounier (in Stepan, 43–44), which formed at the mass level around the issue of authoritarianism, did not eliminate the traditional rivalries

comparable cases, then, elite turnover may be a more important measure of political change than the party vote. Remmer's methodology unfortunately can neither detect changes in patterns of elite recruitment nor perceive whether political practices such as clientelism are in ascendance or decline. The methodological problems inherent in such an approach suggest that the political effects of military rule should be measured not just in terms of party systems but also in terms of the broader networks of political representation of which these systems form a part.

III

Thus far I have posed many puzzles to which the democratization literature has offered only ad hoc explanations. For example, how are we to understand the persistent strength of the state and the weakness of society in Brazil? Why was the union movement there able to throw off the yoke of state corporatism and sustain a momentum that social movements could not? Why have organized social interests not cooperated or compromised in Argentina as we expected they should? Why have the electoral prospects of some parties improved while the attachments of citizens to parties generally weakened, and why has faith in politicians and political institutions declined and populism and the military coup returned to Latin America? Would institutional reform really make a difference?

By now it should be evident that there is no one answer to the question of whether former patterns of politics and forms of social organization and their interaction with the state have resurfaced in Latin America. Despite similar causes of democratic breakdown, the parallel rise of brutal militaries with common policy-making styles and the wave of transitions from authoritarian rule that all appeared to begin with splits within the military, the authoritarian experience was not so common that its effects were uniform on political systems that had different organizing principles and vulnerabilites and that were at very different levels of democratic and party-system development.

To suggest that posttransition political arrangements in each country follow more from what was unique about each nation's past and from differences in military rule than from what was common in the bureaucratic-authoritarian experience is neither a novel nor particularly contro-

that dominated party politics; rather, old political identities and disputes were accommodated within the ARENA Party through the use of the *sublegenda*, or subticket, during military rule. This is important because it implies that traditional politicians can carry votes with them as they move from party to party. See Hagopian, *Traditional Politics and Regime Change in Brazil* (New York: Cambridge University Press, forthcoming).

versial argument. But whether enduring political change has taken place in Latin America as a result of authoritarian rule and to what extent and in what direction most probably does not vary according to criteria identified by much of the literature reviewed here, that is, in terms of the depth or shallowness of the democratic tradition, the degree to which a set of socioeconomic preconditions are satisfied, the effectiveness of military regimes in implementing economic reforms, or even the absolute levels of political repression they employed. Rather, I would contend, authoritarian legacies have been molded by the effects of the policies pursued by authoritarian regimes on the ways in which political interests before military rule were organized and mediated.

Even given a common set of economic problems and broadly similar political responses in these countries, once in power the military regimes that governed South America, prodded by different technocratic ideologies and economic constraints, adopted considerably different economic policy solutions.[30] In the mid-1960s the pathbreaking bureaucratic-authoritarian regimes in Brazil and Argentina undertook quasi-orthodox stabilization programs. Once the task of economic stabilization was completed (by 1967), the architects of the Brazilian "economic miracle" aggressively pursued growth by expanding the state enterprise sector, imposing price controls, accepting inflation rates of up to 20 percent, and skillfully managing the country's balance of payments by encouraging foreign investments and loans.[31] The economic projects of the militaries that seized power in Uruguay and Chile in 1973 and Argentina in 1976 were, by contrast, showcases of neoconservative experiments in monetarist economics. The Chilean military regime in particular took the most radical free-market experiment in the world to giddy heights by rapidly liberalizing trade, extricating the state from the economy, and overvaluing the currency—at least until the financial bubble burst in 1981.[32] In Brazil the burgeoning intermediate, consumer-durables, and capital-goods industries fed the growth of the organized sectors of the working class. In Chile and Argentina economic contraction together with harsh

[30] See Hector E. Schamis, "Reconceptualizing Latin American Authoritarianism in the 1970s: From Bureaucratic-Authoritarianism to Neoconservatism," *Comparative Politics* 23 (January 1991). Different economic policies were probably adopted because, as Alejandro Foxley has argued, economic crises were graver, political threats more serious, and international economic conditions less favorable to developing countries in the 1970s than they had been in the 1960s. See Foxley, *Latin American Experiments in Neo-Conservative Economics* (Berkeley: University of California Press, 1983).

[31] Werner Baer, Richard Newfarmer, and Thomas Trebat, "On State Capitalism in Brazil: Some New Issues and Questions," *Inter-American Economic Affairs* 30 (Winter 1976); Thomas Skidmore, *The Politics of Military Rule in Brazil, 1964–85* (New York: Oxford University Press, 1988).

[32] The best account is still Foxley (fn. 30).

tate policies toward labor organization decimated the ranks of the ınionized working class. Between 1975 and 1980 Argentina experienced ı 20 percent decline in industrial employment (Smith, 262).

Politics, too, was also organized and practiced quite differently in each ıf these regimes. Confronting different political configurations and different bases of societal support, the various militaries in South America levised and pursued different strategies for political control and forged ılliances with different civilian groups. To enlist the support of previously unintegrated populations for new national projects, the militaries n the Andean countries of Peru, Ecuador, and very briefly Bolivia expanded avenues for popular political participation. In Argentina, Chile, nd Uruguay in the 1970s the military closed political society, declaring egislatures and political parties in some sort of recess, and jailing, exilng, or retiring to private life political leaders. They employed high levels ıf coercion in order to preempt opposition to their programs of radical conomic reform. In Chile the military went so far as to design a project o fragment society and sever its links with political parties in order to ırevent socialist parties from ever returning to government, whereas in Brazil the military allowed political society to function and elections to ake place, even though real power did not reside in elected positions. The first Argentine bureaucratic-authoritarian regime chose to yield to ocietal pressure after the popular uprising known as the *cordobazo*; the econd regime obliterated any potential opposition before it could surface.

Finally, there were also country-to-country variations in how interests vere organized, represented, and mediated by the state *before* authoriarian rule. In Garretón's lexicon, the political systems of South American countries had different "backbones." The backbone of the Chilean ystem was "formed by the interlocking of base-level social organizations vith the political party structure, both in tension with the state as the ocal point for political action" (Garretón, xvi). Programmatic, ideologically coherent parties competed for political support among well-defined onstituences with intense party loyalties. They were efficient at organizng political subjects and social actors and representing them, though hey denied autonomy to the organizations of civil society.

The backbone of the Brazilian political system was a strong state that controlled society through two avenues: functionally, through corporaism, and territorially, through clientelism administered by weak, nondeological parties. In Uruguay two nineteenth-century, multiclass, highly fragmented parties that inspired firm loyalty in the electorate constituted the backbone of the political system. Like their weaker counter-

parts in Brazil, these "traditional" parties doled out state resources (clientelistic basis. Unlike Brazilian parties, however, they shared privileges of distributing state patronage. And while groups turne(corporatist channels to compensate for the deficiencies in political ı resentation provided by nonprogrammatic parties,[33] corporatism in uguay was considerably less formally institutionalized than in Brazil

In Argentina the interests of labor and capital were organized represented predominantly along corporatist lines. As Waisman arg in *Democracy in Developing Countries*, to assert its control over the wc ing class in the 1940s, the Argentine state established corporatist stı tures to govern labor relations (similar to those that were workinş well for the same purpose contemporaneously in neighboring Bra but it ended up dangerously weaker than society's principal organi interests (pp. 71–72). In Argentina, as in Chile, class-based parties l functionally defined and differentiated constituents, but corpoı groups were stronger because societal interests found themselves with effective party representation: the Justicialista Party (the Peroni: which spoke for labor, was proscribed for much of the period after rón's exile in 1955, and the political parties of the Right, which rep sented large industrialists and agrarian interests, had no prospects winning elections.

My argument, then, is that the fate of networks of mediation prev ing at the onset of authoritarian rule was determined by the econoı policies military regimes adopted to stabilize and restructure the ec(omy and the political strategies they pursued to depoliticize society, k(themselves in power, or influence the political system after their dep ture from government. Political representation, in other words, was shaped according to the expansion or retrenchment of the state's prod tive, regulatory, and distributive roles, the state's organized relationsh with social groups, and the space for political activity permitted to political parties. These policies and strategies explain in large p whether after regime change the practice of political clientelism a those who managed state clientelism survived, whether business and bor associations once organized by state corporatism pressed for new lationships with the state, political parties, and each other, and whetl ideological political parties whose electoral bases were built on collect appeals could mimic traditional electoral appeals to satisfy old consti ents or instead had to redefine their principles, programs, and organi: tions in order to win new ones. Where military economic policies (

[33] See Juan Rial, "Continuidad y cambio en las organizaciones partidarias en el Urugu 1973–1984," in Cavarozzi and Garretón (fn. 5).

panded the state's interventionist role, for instance, the practice of clientelism and the electoral prospects of politicians who managed the distribution of state patronage were invigorated. Where labor was organized by the state along functional lines and linked to the state through corporatist channels, change followed from state efforts to dismantle populism and deny labor leaders access to centers of state power.

Most established political parties reemerged after authoritarian rule but were also changed by it. The effect on political parties of the economic policies of military regimes differed according to the nature of their appeals (individual-clientelistic or collective-ideological). Economic policies that sharply reduced the size of the unionized working class had a potentially greater effect on class-based labor and socialist parties than, for instance, on multiclass parties that sustained their constituencies through state patronage. These latter parties, in turn, were dependent for survival upon whether the economic models of authoritarian regimes allowed them to commit resources to patronage operations and whether their political strategies created the incentive for them to do so. Both kinds of parties were affected by their relationship to the state and to their constituents under authoritarianism. The electoral stock of particular parties rose as a function of their relationships to military regimes, while all parties whose contact with their constituents and militants was through networks of intermediation operating outside the state apparatus were weakened when those networks were severed by authoritarian decree. Finally, all networks of representation within a particular country were also strengthened or weakened in relation to each other; some political parties gained on their competitors or other representative networks. Thus it was not merely the scale of repression of military regimes nor whether they permitted political mobilization that influenced political change (as Remmer argues); rather, political change was a function of which avenues of political mediation they left open and which they shut.

This framework may help to explain how the military regime in Peru was able to effect deep and enduring change. In an anomalous military-populist experiment, military officers seized power in 1968 with the explicit intention of initiating reform rather than stifling it. They sought to undermine the power base of the traditional oligarchy and to incorporate the mass citizenry along new, state-corporatist lines. At the time of the coup networks linking state and society barely existed and levels of political associability were low: in the 1960s only 7 percent of the economically active population of Peru and 10 percent of rural families were unionized; less than one-half of a sample of lower-class urban settle-

ments and only approximately 5 percent of peasants in various communities considered themselves members of a political party (McClintock, in Diamond, Linz, and Lipset, 355).

Through its program of economic and political reform, the military overhauled the class structure and redistributed power in Peruvian society, making it unlikely that Peru could ever return to oligarchical democracy. McClintock's contribution to *Democracy in Developing Countries* emphasizes that military-sponsored agrarian reform broke the back of the landed oligarchy and created new classes of small farmers and wealthy rural workers (even if it fell far short of its distributional goals), just as its industrial policies spawned a new elite and middle class (pp. 357–58). Its political project to connect ordinary citizens to the state failed dismally, however. The regime's peculiar efforts to incorporate previously unintegrated urban and highland populations into the political system spurred popular organizations, which paradoxically helped to end military rule (McClintock, 359); but the otherwise laudable and healthy distrust of the motives of the state in this case were not harnessed to politically productive ends. Peru's recent drift away from democracy may perhaps be explained by the failure of the military to establish state-sponsored corporatism or any other effective means of state-society mediation: with a chasm still dividing state and ordinary citizen in Peru, a fragile democracy survived little more than a decade.

The military regimes in Brazil and the Southern Cone pursued a course for a radically different type of societal change from that attempted by the Peruvian generals in political systems with far more highly articulated networks of state-society mediation. Despite the original professed intent of the Brazilian military to eradicate political patronage, the economic model and political strategy it pursued reinvigorated clientelistic channels of state-society mediation. The expansion of the state's roles in production, distribution, and regulation increased both the resource and the client base for state-sponsored and state-administered clientelism. The undisguised tolerance for and subsequent bankrolling of patronage politics by the military, which believed it could buy elections and ultimately expand its "influence in retreat," provided the political impetus for the proliferation of state clientelism.[34] Because they were virtually the only channels of representation that were nourished in this military dictatorship, the traditional, regionally based politicians who operated them survived and were able to perpetuate clientelism and reproduce other patterns of political competition; under the cover of a

[34] Barry Ames, *Political Survival: Politicians and Public Policy in Latin America* (Berkeley: University of California Press, 1987).

'new federalism," they embarked on state spending sprees that in a few brief years burdened the federal government with a $57 billion debt. Ultimately, they defeated the agenda of social movements to democratize Brazilian society. Thus, even after miraculous growth, significant social differentiation, and the birth of a new political generation, traditional politics remains pervasive in Brazil. Traditional politicians were the big winners in the 1990 gubernatorial elections, and a "wild clientelism," in Lamounier's words, gripped the federal government after 1987, ushering in Brazil's "Jacksonian age" (in Diamond, Linz, and Lipset, 153).[35]

More closed authoritarian rule had a different impact on party and patronage politics in Uruguay. The Uruguayan military, which did not permit elections and which flirted with neoliberal economic policies, left clientelistic networks of mediation dormant. Cut off from their sources of patronage, politicians in the traditional parties in Uruguay saw their support erode and found themselves unable to protect their old style of politics. When the traditional parties reemerged after the thaw for many of the reasons identified by Remmer, the politicians who practiced clientelism did not. In the 1984 elections, the first to be held since 1971, one-third of the Senate (ten of thirty) and 70 percent of the (ninety-nine) deputies had no prior parliamentary experience.[36] In a few short years, the loss of the advantage of incumbency broke the century-long two-party monopoly over the political system and paved the way for the participation of parties of the Left in national elections as equal contenders.

Whereas these military regimes had at least the opportunity to replenish state clientelism, the raison d'être of bureaucratic-authoritarianism—to exclude labor—strained and perhaps snapped networks of state corporatist representation in those countries in which they were salient. In Brazil, where labor was not as militant or strong as its counterparts in Argentina, Chile, and Uruguay, unions and their political interlocutor, the Vargas-created Brazilian Labor Party (PTB), were nonetheless repressed. Labor leaders were denied their traditional access to the state through the Ministry of Labor and Social Security Institutes. The essential ingredient of paternalistic co-optation that had kept labor leaders and rank-and-file unionists within the state corporatist fold was withdrawn and the illusion of state benevolence shattered by a regime that stole wages from labor by manipulating the inflation index to which wage and

[35] Current research confirms that the systematic practice of clientelism in Brazil is as pervasive as ever. Barry Ames, "Electoral Strategy and Legislative Politics in Brazil, 1978–1990" (Progress report, April 3, 1991); Scott Mainwaring, "Clientelism, Patrimonialism, and Economic Crisis: Brazil since 1979" (Paper presented at the Congress of the Latin American Studies Association, Washington, D.C., April 4–7, 1991).

[36] Rial (fn. 33), 257.

salary adjustments were pegged.[37] As Keck describes it, the "new unionism" was born when and because the form of union mobilization and organization that had previously won benefits for labor was no longer tenable (in Stepan, 256–59). When the state turned its back on labor, labor leaders looked to the shop floor to build new bases of strength on the foundation of their relationship with their rank and file.

Thus, cut off from historic forms of mediation, the relationship between the labor movement and the state changed dramatically. With the reestablishment of civilian democracy, several large unions chose to break their links with the state as well as with existing parties rather than trying to patch together the party-state-union coalition of the 1945–64 period (Campello de Souza, in Stepan, 308). Since *Democratizing Brazil* was written, the confederation of labor unions that has most forcefully advocated the "new unionism," the CUT (Central Única dos Trabalhadores), has only grown stronger at the expense of those unions that are still trying in vain to revive past forms of corporatist mediation.

A similar split within the labor movement and the severance of state control over a new union movement took place during the first bureau cratic-authoritarian regime (1966–73) in Argentina. As Smith's analys reveals, when the Onganía administration attempted to elicit labor sup port while retracting bread-and-butter rewards—proposing no less tha to tilt Argentine corporatism away from an "inducement" toward "constraint"-based system[38]—labor divided over the issue of what its ap propriate relationship to the state should be. The new breakaway CGT d los Argentinos, which like the Brazilian new unionism was attentive t rank-and-file interests and unafraid of union democracy, adopted a mor militant stance toward negotiation with both the state and employer than had been seen in Argentina since Perón reined in the union move ment decades earlier. Responding to labor's exclusion from meaningfu participation with the state, this group advocated political autonom from and noncooperation with the military government even at the ex pense of abdicating labor's "privileged" position with the state. Th smaller CGT de Azopardo, headed by the veteran Peronist leader Augusto Vandor, attempted instead to put the shattered Peronist state-labor coa

[37] On the image of the paternalistic state, see Youssef Cohen, "The Benevolent Leviathan Political Consciousness among Urban Workers under State Corporatism," *American Political Science Review* 76 (March 1982). When a labor research institute discovered in 1977 that the official inflation figures for 1973 had been doctored, labor launched a "wage recovery campaign." For details of the campaign, see Keck (in Stepan).

[38] I have borrowed the inducements/constraints dichotomy from Ruth Berins Collier and David Collier, "Inducements versus Constraints: Disaggregrating Corporatism," *American Political Science Review* 73 (December 1979).

›n back together again. That this strategy was doomed by the regime's ›ntion to harden the state's role in corporatist mediation was soon ›lent when blue- and white-collar workers erupted in protest in the ustrial city of Córdoba in May 1969. After the *cordobazo*, "the state ; truly 'floating' above social and class forces, but this autonomy be- ›ed not strength but profound weakness" (Smith, 185). The return of ón to Argentina in 1973 might have rescued the faltering corporatist em, but his death and Argentina's relapse into mass praetorianism ›med such a salvage effort. The hard-line military regime that seized ver in Argentina in 1976 made no effort to resuscitate corporatism l win labor support. To the contrary, state-sponsored murder com- ›ed the decapitation of the labor movement that the junta's economic icies had begun. In perhaps the ultimate irony, a Peronist president is ılly dismantling the system of political representation that Perón ›ted.

n Chile, where corporatism never took root and political parties had n the central organizers of political life and monopolizers of political resentation, it was the parties that bore the brunt of military repres- ı. The military project to rebuild the political system on new foun- ions required more than the cancellation of elections and the jailing ›arty leaders; it necessitated undermining the structural bases of the ties' electoral support and their roles in society. Thus, as Garretón's erb analysis shows, the Chilean military regime enacted policies to gment and even atomize society so as to make political association and ective action more difficult, to diminish the need and opportunity for ietal demands to be directed toward the state, and ultimately to or- ıize society around the market. Both Garretón and Remmer provide ellent summaries of the zealous and dramatic reform of the state ap- atus and the economy undertaken by the Chilean authoritarian re- ıe. Following closely the blueprint of neoliberal economics, the state hdrew from the economy, selling off not only those state enterprises ionalized during the Allende administration (1970–73) but also those ıblished by the state development corporation (CORFO) throughout the ›twar period. In addition, it reversed the agrarian reform and com- tely privatized agriculture. With the Seven Modernizations program, state's role was reduced in favor of the private sector in the social icy areas of labor, social security, education, health, regional decen- lization, agriculture, and justice.

The Chilean Political Process compellingly argues that the massive ınges implemented by an activist military regime have changed the ial foundations of the party system and that they will in turn shape

the agenda for the reconstruction of a democratic political system. Ga retón wrote near the end of Pinochet's tenure in power, when the fi effects of the reforms on the Chilean political system were not yet appa ent. Yet he was able to conclude that although the Pinochet regim utopia of an atomized society and fortress state was never tenable, successes at restructuring the economy, "modernizing" social policy, ar eliminating all spaces for public representation did "disarticulate tl backbone" of the political system. Parties were not supplanted by ar other organization. However, their estrangement from social grou during the long years of political opposition left them disorganized. Th were also disoriented by their need to operate in an economy and socie radically different from the one in which they had developed, one which the state's scope for intervention had been drastically curtailed.

The current Chilean party system bears the stamp of military polici and the military's blueprint for the posttransition political order. Whi parties of the Left must replace constituencies lost to economic liberal zation and social modernization, those on the Right stand to gain in th long run from the proliferation of independent merchants and the tran formation of peasants into prosperous farmers. The party system has als been changed by the relationship of parties to the authoritarian regim The military's rebuke of the Christian Democrats who had supporte their coup forged a powerful opposition alliance between Chile's large party and the Left, an alliance that today has a firm grip on governmen The electoral prospects of the Right—divided between the Nationa Renovation (RN), which sees itself as a loyal, conservative opposition, an the Union of Independent Democrats (UDI), which favors a continuatio of the course set for Chile by Pinochet—were diminished by the public' association of these parties with an unpopular dictatorship. Similarly, in Brazil the MDB reaped a windfall in the 1982 and 1986 elections from it long opposition to military rule; and in Argentina, although all major parties agreed not to cooperate with a delegitimized military regime seeking to exit from office, the least tainted party, the Unión Cívica Radical, was the immediate beneficiary in 1983.

It is, moreover, possible to detect in Chilean political culture and particularly in the political parties fundamental changes that are the result not of an inevitable recognition of the superiority of liberal democracy occasioned by human rights abuses under military rule but of Pinochet's economic and political strategies, which pushed representative relations in new directions. The party that has traveled the farthest ideological distance is the Socialist Party, which has begun to realign party principles and programs to conform to the legacy of an open if deindustrialized economy. Parties across the political spectrum are more internally dem-

ocratic and more generally willing to concede autonomy to social organizations led by party militants. This is so in part because social movements that learned to operate independently of political party initiatives when parties were banned during the dictatorship did not readily relinquish their independence when parties were reborn. Chile's proud political parties have not forsaken their representative role, however, but have worked very hard to build up their membership among a population that shows signs of effective depoliticization. Yet, aware of the difficulties of representing the interests of a less organized society on the basis of information funneled through traditional party networks and apprehensive about how accurately the public perceives they are doing so, many rely on surveys of public opinion for feedback from their would-be electors. Humbled by the damaging effects of the excesses of their precoup competition, moreover, they have granted their members autonomy in the government and intervene less in the policy-making process.

Thus the economic policies and political strategies of military regimes exercised variable but significant effects on representative politics. Different conceptions of the state's role in the economy and different strategies of the Uruguayan and Brazilian militaries for marshaling support for military rule weakened clientelism in Uruguay but enshrined it in Brazil as a semipermanent feature of the political landscape. Both the Argentine and Brazilian militaries sealed off the corporatist links joining state and society, and in both cases strained labor-state and business-state relations as well as the networks of corporatist intermediation that had been in place for nearly five decades. Not only did military policies thus directly threaten or dismantle some networks of interest intermediation, but they also indirectly privileged or undermined others based on the way their actions affected secondary options for political representation. In Argentina the decline of corporatism strengthened the hands of parties that had always been less important instruments of representation than business and labor organizations, whereas in Brazil both clientelistic parties and the PT benefited from the state's neglect of its corporatist constituencies. In Uruguay clientelistic parties, deprived of resources to distribute, declined, to the clear advantage of the nonclientelistic parties of the Broad Front. In Chile, where there was no practical alternative to parties for the intermediation of interests, parties were not replaced but their roles in society and government have noticeably diminished.

IV

This essay has suggested that the changes initiated by military regimes in South America both provoked political change and fostered political

continuity. Furthermore, the effects of authoritarian rule run in directions different from those suggested by the cruder assumptions about cultural and electoral change and institutional continuity. In Brazil the most heralded changes of the period of democratic transitions—the independent initiatives of civil society—have by and large fizzled out. The most promising exception, the new union movement, has shown an impressive ability to reshape the terms of national debate and even to pioneer a new kind of political party, but to date it has not been able to break the hold over the political system of the traditional politicians who command and operate networks of state clientelism. For the first time in memory in Argentina, parties appear to be leading corporate groups rather than the other way around, and the corporatist system erected by Juan Perón, like its counterpart in Brazil, may finally be tottering. In Chile old and new political parties are still the primary vehicles of political representation; but supported less fervently by their constituents and militants than in the past, they grope cautiously to operate in societies transformed by military rule and their own absence from political life.

Just when Latin America must come to grips with these challenges political representation arising from authoritarianism, the wave of ne liberal economic policies currently sweeping the continent promises reshape entirely the politics of the region. One need not be a devo structuralist to appreciate that extricating the state from the economy i which it was embedded for five decades and divesting it of many of i social welfare functions will change the relationship of the state to soc ety, challenge the political parties to marshal support for new nation projects, and create incentives and opportunities for the organization (old and new interests along new lines. Above all, new economic dire tions may portend the emergence of new forms of political represent tion. If economic reorganization proceeds in Uruguay and Brazil, per vasive political clientelism may no longer be viable. In Brazil, Argentin and elsewhere, the retreat of the state may finally end what Schmitte and Manoïlesco before him, called "the century of corporatism."[39] An if the experience of Chile, where the implementation of neoliberal pol cies is the most advanced, is instructive, not only Socialist and Labo parties, which make collective, class-based electoral appeals, but also par ties that traditionally have made both collective and individualistic mul ticlass appeals will not be immune from pressures to rethink their pro grammatic commitments to a prominent role for the state in production regulation, distribution, and the engineering of social harmony.

In country after country in Latin America, the forms of political rep

[39] Philippe C. Schmitter, "Still the Century of Corporatism," *Review of Politics* 36 (Januar 1974), 1.

resentation that prevailed for nearly five decades and were strained during authoritarian regimes are facing even more severe challenges, even though there are not yet apparent clear alternatives to replace them. In this uncertain political landscape, the academic reformulation of prevailing conceptualizations of Latin American politics has also been made more difficult, yielding what Cavarozzi has called the current "theoretical impasse."[40] While this essay cannot offer an escape from this impasse, it *does* suggest that the difficult process of political reorganization will be influenced profoundly by the legacies of authoritarian regimes but that it will also proceed according to the interactive effects of state policies and the responses of political representatives and representative organizations and institutions. If this argument is correct, then comparative political scientists will not be able to predict the future of democratic consolidation primarily by examining the independent role of political institutions. Rather, some way must be found to understand the effects of structural economic changes on political institutions *and* political culture as well as the independent influences of political processes. Any new approaches must improve upon the earlier political culture and political economy frameworks that the field long ago caricatured and discarded.

It is perhaps time to recognize that the considerable attention paid to the genuinely worthy question of what will consolidate democracy, as well as the new orthodoxy extolling centrism and moderation, has distorted our research agenda and ultimately diminished our ability to understand the dilemmas of democratic consolidation. Put simply, we have been looking for trouble in all the wrong places. If the Brazilian case is instructive, the most serious threat to democratic consolidation today does not come from lukewarm democrats and putschists on the one hand and the dangers of relapse into a radical past on the other. It comes rather from weak governments that float above organized interests because the corporatist and party networks of representation that buttressed them in the past have broken down and been damaged by the authoritarian experience and because the alternatives simply do not provide a solid basis upon which to consolidate democracy. In that clientelism distorts political representation, renders parties incoherent, elevates levels of political cynicism, and hinders effective and responsible economic and social policy-making, it is a far less stable formula for political representation in a mass democracy than it is for organizing support for a military regime in which real competition is circumscribed and popular demands repressed. The new populism poses an even greater threat to democratic

[40] Cavarozzi, at the Conference on Political Parties and Political Representation in the Post-Authoritarian Era, Woodrow Wilson Center for Scholars, Washington, D.C., November 8-9, 1991.

consolidation, not because populist governments spend too much mone but because operating without effective channels of mediation betwe elites and nonelites, they have to. Without representative networks marshal support for government-initiated projects and under pressure deliver on their unrealistic promises of instant economic salvation, po ulist leaders govern in ways that put political systems at risk. An all t frequent alternative to clientelism and populism in the region has be technocratic government. Even in the best of circumstances, technocra government undermines the process of democratic consolidation becau it concentrates power in the hands of a few nonelected officials.

If the weakness of political representation is indeed the gravest thre to the consolidation of democracy, then today's fashionable prescriptio for democratic consolidation may be inadequate. A Tocquevillian str tum of voluntary associations may provide a necessary check on sta authority, and tinkering with constitutions to reform electoral laws an the system of government may enhance governmental stability, but ne ther will be a panacea for a broader failure of political representation. I robust democracies political associations do not impede state action b effectively represent the interests of their members before the state. P litical institutions and electoral laws shape the incentives of particul actors, but they may also be redesigned by them, especially in the tem pests of social and political conflict. Governing majorities can be instit tionally contrived, but, much as we would like it to be so, vibrant d mocracies, political stability, and social peace probably cannot.

Priority should be assigned instead to rebuilding responsible and rep resentative parties that can replace decaying corporatist and clientelist channels of interest mediation. The moment is ripe for parties to reac out to new constituencies, to repair party-constituent relations, and t renegotiate with society the terms of political representation. To plac democracy on a more secure footing, it is also imperative to restore th credibility of democratic government, not merely by reducing th monthly inflation rate, but also by building democratic representatio into the policy-making process (as Smith, 296–97, also argues). Econom crisis and internationally imposed constraints on economic policy shoul not be used as an excuse to trample popular interests. Rather, popula support should be marshaled for tackling the next phase of Latin America's economic recovery, especially if sustained recovery depends on further postponing income redistribution and the recovery of the standards of living prevailing in the region twenty years ago. The primary challenge of democratic consolidation facing Latin America after regime change is to devise such workable systems of political representation.

DOES HEGEMONY MATTER?
The Reorganization of the Pacific Political Economy

By DONALD CRONE

THE Pacific political economy is in the midst of significant structural and institutional change. Over the past four decades the distribution of political and economic capabilities has shifted from a pattern that reflected an American hegemonic presence toward a more complex balance of power. Economic and security issues have become more separate, reducing the nesting of these two issue-areas. Furthermore, an institutional basis for handling the regional political economy on a multilateral basis is rapidly being developed, with the result that the prior predominance of bilateral negotiations is eroding. Collectively, these changes constitute a substantial reorganization of the Pacific political economy.

The Pacific experience raises several interesting issues regarding the formation of regimes during periods of change in the structure of international power.[1] The Asia-Pacific region is something of an anomaly. This important economic region has until very recently been largely devoid of regionwide economic institutions, this, in sharp contrast to Europe or even Latin America. Thus, whereas few trans-Pacific institutions were established during the period of U.S. hegemony, now, with U.S. predominance in serious question, there is a movement to institutionalize Pacific economic diplomacy in the form of the Asia-Pacific Economic Cooperation conference (APEC). Theory would suggest the opposite: that U.S. preeminence, rather than its decline, should have supported the creation of regimes. Does hegemony matter, then? If so, in what ways?

In answering these questions, this article strives to arrive at a better understanding of the economic and political reorganization of the Pa-

[1] There are numerous definitions of international regimes. I use the term in Kratochwil and Ruggie's sense of "governing arrangements constructed by states to coordinate their expectations and organize aspects of their behavior in various issue areas." See Friedrich Kratochwil and John Ruggie, "International Organization: A State of the Art on an Art of the State," *International Organization* 40 (Autumn 1986), 759. Another standard definition speaks of "sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge." See Stephen Krasner, "Structural Causes and Regime Consequences: Regimes as Intervening Variables," *International Organization* 36 (Spring 1982), 186.

cific, and to revise our more general understanding of power and regimes, an understanding based largely on the Atlantic experience.[2] Essentially, it advances a modified realist explanation of regime formation in the Pacific that is conditioned by cognitive factors, as follows: (1) that U.S. predominance inhibited early attempts to organize the Pacific, by creating disincentives for the parties to institutionalize and multilateralize relationships; (2) that the present regime is largely a response to "leveling" changes in economic and political power relations among Pacific nations; and (3) that value differentials are also important and have structured APEC as a weak regime. Hegemony does matter, but its *decline* is more decisive than its ascendance for regime formation in this world arena.

I. Hegemony and the Organization of International Regimes

International theory does not explain the differences between Atlantic and Pacific institutionalization. Much of the literature has focused on why economic institutionalization among essentially Atlantic members was stronger during a period of American preeminence and is now weakening. But how can we explain essentially the opposite pattern? Why, that is, should Asian institutionalization have been weak during the same time period and grown stronger only afterward?

Hegemony has been treated as a central factor in the establishment and strength of international regimes. The early hegemonic stability thesis argued that the predominance of one state was a necessary condition for both the creation and the maintenance of strong, stable international regimes; once that condition was reversed, regimes were expected to decay: "As the distribution of tangible resources, especially economic resources, becomes more equal, international regimes should weaken."[3] Keohane has since modified the "decay" conditions; cooperation may continue even "after hegemony" in cases where regimes already exist, specific shared interests are present, and the hegemon is still willing to lead.[4] Snidal too questions elements of hegemonic stability theory and

[2] It should be noted that this is not an exercise in a priori theorizing but rather is the more mundane process of testing existing theories against new cases and suggesting modification that extend their range of explanation.

[3] Robert Keohane, "The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967–1977," in Ole Holsti, Randolph Siverson, and Alexander George, eds., *Change in the International System* (Boulder, Colo.: Westview Press, 1980), 136.

[4] Robert Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984), chap. 3. Oran Young also stresses "entrepreneurial leadership." See Young, "The Politics of International Regime Formation: Managing Natural Resources and the Environment," *International Organization* 43 (Summer 1989).

argues that cooperation may continue without hegemony. He distinguishes between two types of leadership: "coercive" (imposed and maintained by power) and "benevolent" (characterized by the provision of public goods). The first may require a hegemon, but the second may be provided by a small group of rising powers willing to continue the provision of collective goods.[5] Neither theorist suggests, however, that new regimes would form under these conditions. The literature leads to the conclusion that the existence of a hegemon is central to the creation of regimes and that at the very least a decline in hegemony is problematic for international regimes, as in Gilpin's portrayal of the U.S. as a "predatory hegemon" during its relative decline.[6]

What, then, does stratification of power explain about institutional formation in the Asia-Pacific? I maintain that it is relevant, but in a way different from the European context. While the U.S. was predominant in the Atlantic, power differentials were not that great and it was therefore never able to dictate. U.S. relative power in the Pacific, however, was far greater than it ever was in the Atlantic.[7] The deeper power stratification that existed in Asia requires an extension of realist logic toward an extreme of the power continuum that it never really considered, an arena more often addressed by the dependence literature. At the same time, hegemonic stability theory has not focused adequately on the changing strategic incentives of both providers and consumers that result from exogenous changes in the distribution of power.[8] As the power balance has been quite dynamic in this region, these changing strategic incentives need to be elaborated. Finally, the cultural differences between the Atlantic and Asian contexts must be considered if we are to account for regime characteristics more fully.

Shifting Strategic Incentives: From Dependence to Balance

Highly asymmetric patterns of relations, or dependence, are similar in analytic properties to more balanced, or interdependent, patterns; but they are distinctive in the way they mold actor incentives.[9] With vast

[5] Duncan Snidal, "The Limits of Hegemonic Stability Theory," *International Organization* 39 (Autumn 1985).

[6] Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987), 345.

[7] The combined GNP of just Britain, France, Germany, and Italy was 39 percent of U.S. GNP in 1950; OECD, *Statistics of National Accounts 1950–1961* (Paris: OECD 1964). Compare with Table 4.

[8] Snidal (fn. 5), 584.

[9] The notion of dependence used here draws on the distinctions elaborated by James Caporaso, "Dependence, Dependency, and Power in the Global System: A Structural and Behavioral Analysis," *International Organization* 32 (Winter 1978).

disparities, such as in a hegemonic structure with dependent subordinate actors, the predominant actor may be disposed to favor "benevolent" institutionalization or an imposed order; but nothing requires an institutional outcome. The structure of incentives is more likely to push strongly in the opposite direction. As Arthur Stein notes, there is no need for a regime when some actors can obtain their preferences through independent decision making.[10] With extreme power disparities, dictating outcomes becomes possible. A hegemon relies on its superior relational power, and a bilateral, rather than multilateral, order obtains. With high asymmetry of power, a hegemon may have few incentives to pursue an institutionalized order.

At the same time, common regimes would not necessarily be in the interest of the dependent actors either, even if the hegemon pursued them. Subordinates may prefer to exploit whatever individual advantages they can muster in bilateral negotiations, to free ride, or to pursue tactics of "dependence reduction," rather than to seek a general order within which they will clearly have little voice.[11] Indeed, avoiding or reducing entangling relationships with the dominant powers was a staple of both structuralist and dependency thought. Dependent actors' incentives weigh against subordinate institutionalization.

Extreme hegemony, then, may inhibit regime formation by shaping the incentives of both superordinate and subordinate actors away from joint solutions. Despite (or because of) hegemony, a fragmented, bilateral system of relations, rather than regimes, will be formed.

As disparities narrow due to exogenous power changes, incentives shift to the pursuit of a more institutionalized, multilateral bargaining context. Where relative size gaps are closing but still present, all actors may see the strategic rationality of taking steps toward institutionalizing an unstable order before it completely erodes into uncertainty. Potential losses, especially of status, are largest for the hegemon. Superordinate state incentives change to focus on preserving what can be salvaged from their former position. Gilpin observes that a dominant but declining power may make concessions to other states and agree to share the benefits of the status quo in exchange for preserving an existing system, but it will seldom make concessions on its own initiative.[12] New regimes may even form: "Those concerned about possible erosions of bargaining

[10] Arthur Stein, "Coordination and Collaboration: Regimes in an Anarchic World," *International Organization* 36 (Spring 1982), 301.

[11] E.g., see Charles Doran, George Modelshi, and Cal Clark, eds., *North/South Relations: Studies of Dependency Reversal* (New York: Praeger, 1983).

[12] Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981), 193–94.

strength in the future may be willing to make significant concessions to reach agreement quickly on the terms of specific regimes."[13] As incentives shift, the hegemon becomes reluctantly cooperative.

Altered circumstances also mold the incentives of subordinate states. The former hegemon may withdraw the voluntary provision of order; if the absolute size of the largest actor remains substantial, incentives to cooperate with that actor increase, giving subordinate actors a common cause to pursue joint gains rather than suffer individual discrimination. Rising American protectionism provides an example. The subordinate actors, though reluctant to engage with the dominant power, may nevertheless believe it is necessary. However, more positive inducements also exist. Subordinate actors may seek to capture immediate gains from the constraining effects of an institutionalized order. As Krasner notes: "Once regimes are actually in place . . . the relationship between power and regimes can become more attenuated."[14] The incentives for subordinate states to cooperate increase with the narrowing of power differentials.

Thus, the erosion of extreme hegemony changes the incentives of all states. Subordinate actors may desire to provide a multilateral framework that keeps a large actor in the system but also constrains its exercise of unilateral power; the superordinate actor may wish to use its size to preserve bargaining power that is perceived to be eroding. This line of argument suggests that regimes may form as hegemonic deflation opens political space that was previously closed to dependent actors and preserves some advantage for superordinate ones, but that engagement will be wary and cautious on both sides. Such an extended, more dynamic conception of the role of power structures in regime formation, then, might account for the pattern observed in the Pacific. Strategic incentives did not favor institutional formation under conditions of extreme hegemony, but with exogenous power changes those incentives changed too, creating a greater convergence of interests in mutual management.

Norms and Regimes

There is another issue embedded in the regimes literature that is related to differences between the Atlantic and the Pacific. Cultures influence cooperation, as follows: cooperation "after hegemony" relies on extensive shared interests; interests are a cognitive interpretation of material circumstances; cognitive frameworks respond to their underlying values.

[13] Young (fn. 4), 365.

[14] Stephen Krasner, *Structural Conflict: The Third World against Global Liberalism* (Berkeley: University of California Press, 1985), 29.

This suggests that in societies sharing common notions of the communi good and commensurate material standards, appeals to the commonwe would be more effective, making regime formation easier even when tl best-case power distribution does not obtain. Conversely, value disjun tures caused by cultural or material factors are bound to narrow tl range of normative agreement about cooperation.

Regimes are thus facilitated by shared values and not just by the desi for collective goods.[15] For many existing regimes, Ruggie's notion "embedded liberalism" provides a powerful set of common, albeit Wes ern, political values.[16] Even more fundamental are the underlyir "mythic" bases of Western cooperation, which tap into the roots shared Western culture.[17] These cognitive supports bolster the institu tional side of cooperation, even, according to Russett, to the extent compensating for the erosion of the power base of American hegemony.

It follows that a lack of shared values and material circumstances ma impart a different, more negative character to regime negotiation "Non-Atlantic" contexts may substantially erode expectations of share values and foster a climate of mutual nonunderstanding or even susp cion. The difficulty Americans and Japanese seem to have in understand ing each other is a relevant example. Kurth has suggested that one sourc of international conflict is rooted in the differences between the Atlanti Alliance paradigm and that of the Pacific Basin; he points to embedde liberalism and international mercantilism as important features of thes different value systems.[19] The vast economic disparity between industri alized and developing countries is also a fertile ground for conflictin interests and values, as the wide acceptance of the dependency paradign attests. Krasner has pointed to a conflict between liberalism and a pref erence for authoritative allocation as a central feature of the North-Sout conflict.[20] Another is apparent in Southern resentment of what is per ceived to be Northern attempts to impose "democracy" in non-Western countries.

[15] The importance of values is explored by G. John Ikenberry and Charles Kupchan, "So cialization and Hegemonic Power," *International Organization* 44 (Summer 1990).

[16] John Ruggie, "International Regimes, Transactions, and Change: Embedded Liberal ism in the Postwar Economic Order," *International Organization* 36 (Spring 1982).

[17] The "mythic" character of hegemony is based on the Atlantic experience and cannot be presumed to apply more broadly. See Isabelle Grunberg, "Exploring the 'Myth' of Hege monic Stability," *International Organization* 44 (Autumn 1990).

[18] Bruce Russett, "U.S. Hegemony: Gone or Merely Diminished, and How Does It Mat ter," in Takashi Inoguchi and Daniel Okimoto, eds., *The Political Economy of Japan*, vol. *The Changing International Context* (Stanford, Calif.: Stanford University Press, 1988), 103.

[19] James Kurth "The Pacific Basis versus the Atlantic Alliance: Two Paradigms of Inter national Relations," *Annals AAPSS* 505 (September 1989).

[20] Krasner (fn. 14).

In a cross-cultural context that lacks an embedded substructure of shared values, appeals to "the public good" are less likely to be effective, and actor expectations converge on a regime less easily. The process of identifying common norms and decision processes is more difficult; hence, agreement is more tenuous. Resulting regime constructs are most likely to be weaker than those with a firm cognitive basis. In explaining the course of regime construction, attention needs to be paid to the cultural basis and not only to the power dimension.

Thus, hegemony may be important to the formation of regimes in ways not previously noted. It may be that the *level* of power stratification is the key to explaining the apparent contradiction between the early Atlantic and Pacific experiences: hegemony does matter, but its erosion may be the signal feature. Whereas hegemony in its extreme form may inhibit the formation of a multilateral order (as both the superordinate and the subordinate actors find an institutionalized order overly constraining), as the power disparities narrow, these disadvantages erode and the probability of regime formation becomes higher. At the same time, cognitive issues are more complicated in the Pacific setting than in the Atlantic setting, militating against the formation of strong regimes.

The following sections describe the Pacific regime experience over the past several decades. First, major changes in Pacific power patterns are briefly surveyed. Then, the institutional environments of the 1960s through the 1980s are examined, with particular attention to the dominant interests of major actors. Finally, the nature of the current institutional order is summarized.

II. The Changing Patterns of Pacific Relations

The patterns of relations in the Pacific have changed quite dramatically over the past forty years. For the first two decades after the war, the United States was clearly hegemonic—the predominant economic power by any measure and the only significant military power in the Pacific Basin. These two issue-areas were firmly nested, with economic access and aid subordinated to security policy.[21]

By the 1990s U.S. predominance was no longer the clear pattern. This is largely a result of two parallel sets of changes, and it is being reinforced by a third. First, Japan has risen to become a significant challenger in trade and direct foreign investment and the lead country in aid. Tables 1–3 show some of these changes. Both U.S. and Japanese shares have

[21] For an inside view of this period, see Walt Rostow, *The United States and the Regional Organization of Asia and the Pacific, 1965–1985* (Austin: University of Texas Press, 1986).

fallen in overall trade with other Pacific nations, the U.S. by far more than Japan, due in part to intraregional diversification. The surge of Japanese foreign investment from a formerly minuscule position is much more dramatic; it exceeds the total stock of U.S. foreign investment in the region and takes a leading share in almost all countries. In foreign aid, Japan has clearly replaced the U.S. as the predominant provider; this reflects the Japanese view of aid as a foreign policy tool in the absence of military power.[22] While trade, long-term stocks of direct foreign investment, and accumulated foreign aid indicate a continuing, strong U.S.

TABLE 1
FOREIGN AID TO ASIA-PACIFIC
(PERCENTAGE)

	1969		*1989*	
	U.S.	*Japan*	*U.S.*	*Japan*
Indonesia	48	21	3	38
South Korea	64	31	1	—
Malaysia	15	37	—	42
Papua New Guinea	0	0	0	16
Philippines	32	65	15	36
Singapore	0	3	1	21
Taiwan	14	65	0	—
Thailand	52	21	4	57
Vietnam	96	0	1	1

SOURCE: OECD, *Geographical Disbribution of Financial Flows to Developing Countries* (various years).

TABLE 2
PACIFIC TRADE STRUCTURE

	1969		*1990*		*1990*	
	U.S.	*Japan*	*U.S.*	*Japan*	*U.S.*	*Japan*
	(% recipient's trade)				*(% sender's trade)*	
Australia	19	19	18	22	1.5	3.7
ASEAN	21	29	17	21	4.6	11
Hong Kong	24	15	16	11	1.9	2.9
Taiwan Province	31	31				
South Korea	35	36	28	25	3.7	5.6
Canada	70	4	68	6	19.4	2.9
Japan	29	—	28	—	15.6	
U.S.	—	11	—	16		27.5

SOURCE: IMF, *Direction of Trade Statistics, Yearbook* (various years).

[22] Japan, Ministry of Foreign Affairs, *Japan's Official Development Assistance, 1989* (Tokyo: Ministry of Foreign Affairs, 1990), 18.

TABLE 3
FOREIGN INVESTMENT POSITIONS

	% Total Late 1960s		*% Total Early 1980s*		*Stock 1990 (millions $)*	
	U.S.	*Japan*	*U.S.*	*Japan*	*U.S.*	*Japan*
Hong Kong			34	27	6537	9850
Indonesia	43	5	6	33	3827	11540
Malaysia	15	1.3	10	26	1425	3231
Philippines	59	1.7	52	16	1665	1580
Singapore	12	7.5	19	10	3971	6555
South Korea			30	50	2096	4138
Taiwan Province			29	32	2273	2731
Thailand	18	33	32	28	1515	4422
Canada	80		73	4	68431	5656
Australia			35	9	14529	16063
New Zealand					3139	1178
U.S.						130529
Japan					20994	
Total					130402	197473

SOURCES: Ministry of Finance, Japan; *Survey of Current Business* (various years); national investment boards.

presence, recent financial flows show an obviously different story. In 1988, for example, Japanese foreign investment into East Asia amounted to $5.5 billion, while that of the U.S. was just over $2 billion.[23] The 1990 U.S. commitment to the Philippine Assistance Plan was, at $160 million, just one-tenth that of Japan—the provider of 60 percent of Asian development assistance.[24] Thus, U.S. economic preeminence has been replaced by that of Japan in many regards.

Second, the rapid economic development of a number of countries in the region has reduced the GNP gap substantially, leveling the playing field somewhat and increasing the number of relevant players. One gets a sense of these changes from Table 4: where in 1965 other Pacific nations together accounted for little more than one-quarter of U.S. GNP, they now almost equal it. The international economic landscape in Asia-Pacific has grown considerably more complex and close-knit, in particular because it includes a much larger number of significant economic and political actors than it did four (or even two) decades ago.[25]

[23] *Tokyo Business Today*, October 1989, p. 58; *Survey of Current Business*, August 1989, p. 86.

[24] *Far Eastern Economic Review* (January 24, 1991), 46; *Los Angeles Times*, February 5, 1990, p. D3.

[25] The most thorough study of the Pacific economy is Peter Drysdale, *International Economic Pluralism* (New York: Columbia University Press, 1988), esp. chap. 3.

TABLE 4
PACIFIC RELATIVE ECONOMIC SIZES
(PERCENTAGE OF U.S. GNP)

	1965	*19*
Australia	3.3	5
Canada	6.7	9
New Zealand	0.8	0.
Japan	13.0	54.
South Korea	0.4	4.
Philippines	0.9	0.
Singapore	0.1	0.
Thailand	0.6	1.
Malaysia	0.4	0.
Indonesia	0.5	1.
Total	26.8	79.

SOURCE: *World Development Report 1991* (New York: Oxford University Press, 1991).

Third, the U.S. military presence has been reduced and disaggregat from economic issues. The Guam Doctrine of less direct involvement political conflicts reduced the U.S. military presence. Increasing Sov interest and naval presence in the region through the Reagan admin tration sustained the salience of U.S. military presence in the view Asian states. However, by the start of the 1990s dramatic reductions their perceptions of a Soviet threat had reduced the value of an Americ presence, even prior to the collapse of the Soviet Union.[26] Furthermo even though increasingly sophisticated Japanese military capability su tains interest in an American presence in the eyes of some regional stat the concern is for a balancing force, rather than for a restoration of t hegemonic deterrent. At the same time, the rise of trade tensions h reduced political support for strategic ties with the U.S., since acceptan of the Pacific political fabric was at least partially based on the U.S. ro in assisting growth as a route to domestic political stability.[27] The ne for an American military umbrella is simply less salient during the d season.

The results of these changes in patterns of relations are significa though not so simplistic as they are usually portrayed. First, despite J

[26] For a review of perceptions, see Muthiah Alagappa, "Soviet Policy in Southeast As Towards Constructive Engagement," *Pacific Affairs* 63 (Fall 1990). The Soviet position und Gorbachev is well stated in Aleksandr Bogomolov, "Problems of Cooperation in the Paci Region," *International Affairs* (Moscow) (January 1987).

[27] Bernard Gordon, "Politics and Protectionism in the Pacific," *Adelphi Papers* 228 (Spri 1988), 64.

n's emergence as a significant challenger for regional economic leadship, it has only recently made progress as a political leader. This is rtly a legacy of resentment of Japan's wartime militarism and partly ie to careful avoidance of a political role before 1980.[28] The adoption at at time of the Ohira report, which instituted a Japanese doctrine of omprehensive national security" that more closely linked economic d political objectives, is instructive: the change is characterized as a sponse to "the termination of clear American supremacy in both miliry and economic spheres."[29] Japan and the U.S. are now roughly eco- mic equals in the Pacific, but the more rapid expansion of Japan hints at the U.S. relative position will continue to decline. The political balice is shifting more slowly, however; although the U.S. is no longer the gemon in the region, it clearly remains the major actor.

Second, the structure of economic linkages in the Pacific has changed gnificantly. Rapid industrialization has transformed many economies, it they are increasingly tied into a Pacific economic structure that is set the expansion of Japanese foreign investment and by continued U.S. d increasing Japanese market access. The consolidation of Japanese rporations into other East Asian economies has made East Asia more a single structure, what Hollerman refers to as Japan's "Headquarters onomy." This trend is evident, for example, in the motor vehicle inistry.[30] During the 1980s this trend toward "strategic deployment of vestment bases" was reinforced by the appearance of small and meum-size Japanese companies as major overseas investors in the Paic.[31] While more industrially developed, the newly industrializing onomies (NIEs) have become integral elements in a regional division of oor, an East Asian "dependent development," that shifts the center of e Pacific economy decisively eastward.

[28] See Deborah Haber, "The Death of Hegemony: Why 'Pax Nipponica' Is Impossible," an *Survey* 30 (September 1990); Shiro Saito, *Japan at the Summit* (London: Routledge, 0), 54.

[29] Japan's "Report on Comprehensive National Security," quoted in Reinhard Drifte, *Ja- 's Foreign Policy* (London: Royal Institute of International Affairs, 1990), 29.

[30] Leon Hollerman, *Japan's Economic Strategy in Brazil* (New York: Lexington Books, 8), chap. 1; Kit Machado, "ASEAN State Industrial Policies and Japanese Regional Produc- n Strategies: The Case of Malaysia's Motor Vehicle Industry," in Cal Clark and Steve an, eds., *The Evolving Pacific Basin in the Global Political Economy* (Boulder, Colo.: Lynne nner, 1992). David Arase argues that this is a coordinated government program using vate capital, aid, and trade flows. See Arase, "U.S. and ASEAN Perceptions of Japan's Role the Asian-Pacific Region," in Harry Kendall and Clara Joewono, eds., *Japan, ASEAN, and United States* (Berkeley: University of California, Institute of East Asian Studies, 1991), -75. See also Passuk Phongpaichit, *The New Wave of Japanese Investment in ASEAN* (Sin- ore: Institute of Southeast Asian Studies), 51–59.

[31] Japan External Trade Organization, *1986 JETRO White Paper on World and Japanese Over- Direct Investment* (Tokyo: JETRO, 1986), 13.

However, the regional economy itself has matured dramatically, increasing the NIEs' intrinsic importance, as they become increasingly important to each other as trade partners and as sources of investment. The overall share of Pacific trade with other Pacific economies increased from just over one-half in 1970 to close to two-thirds in 1988; for the small members of the Pacific, the rise is even more dramatic.[32] In 1987 Taiwan and Hong Kong ranked third and fifth as investors in Thailand, and in 1989 Taiwan was a close second to Japan in Malaysian investment approvals (the U.S. was sixth).[33] The Asian NIEs are tying themselves more closely together. As a group, they want to ensure that the Pacific economy continues to develop to their advantage in both economic and political terms. This requires continued linkages to both Japan and the U.S., in particular, where their interests are compatible. Where the respective interests diverge, however, the increasing weight of the NIEs lends them leverage.

In sum, U.S. hegemony in the Pacific has been reduced by the rapid relative growth of Japan and the NIEs and by their extensive system of mutual economic linkages. The potential economic power of East Asia almost equals that of the U.S. As the balance of political-economic power has become more complex, the frequency and intensity of negotiations have increased and outcomes have become less sure. As hegemony eroded, the order maintained by U.S. power devolved toward uncertainty and chaos.

III. Structural Change: Institutional Response

Pacific institutional development broadly parallels the power and value setting of the time. From the 1960s through the 1980s, power and value disparities inhibited institutional development; neither the U.S. nor most of its subordinates saw economic regime formation as being in their interest. With significant change along both power and value dimensions during the 1980s, a Pacific intergovernmental organization, the Asia-Pacific Economic Cooperation conference, was finally accepted in 1989.

Constraints of Hegemony

The United States occasionally raised the issue of a broader regional association, but little came of these efforts. Lyndon Johnson, both as vice

[32] *Pacific Economic Outlook 1990–1991* (San Francisco: Pacific Economic Cooperation Conference, 1990), Appendix, Table 1.

[33] Japan External Trade Organization, *1989 JETRO White Paper on World Direct Investments* (Tokyo: JETRO, 1989), 3; Malaysian Industrial Development Authority (data provided to author by MIDA). Taiwan ranked first in 1990, according to the *Far Eastern Economic Review* (January 24, 1991), 24.

President in 1961 and as president in 1965, gave important speeches urging the formation of an organization for development and security among the "free nations" of the Pacific, largely without result—perhaps because one of the motivations was to allow the U.S. to pull back, rather than to create a Pacific regime.[34] Institutional development was not entirely absent, but, with the exception of the Asian Development Bank, it was focused on security arrangements, such as SEATO and the Asian and Pacific Council (ASPAC), neither of which survived the 1970s.[35] No intergovernmental regional economic organization was formed.

The one lasting economic organization of governments is decidedly subregional in scope and values. The Association of Southeast Asian Nations (ASEAN), comprised of Brunei, Indonesia, Malaysia, Singapore, the Philippines, and Thailand, came relatively early to focus its diplomatic efforts on economic bargaining with outside powers (including the U.S.), and followed a political-economic strategy of dependence reduction through partner diversification.[36] Furthermore, values espoused by the ASEAN members clearly reflected the "Southern," Group of 77 mentality, cast in opposition to the "Northern," liberal approach epitomized by the U.S. The annual ASEAN postministerial meetings with the Pacific dialogue partners by default turned into a quasi-regional economic forum for governments. In their format, these nicely symbolize the North-South divide in values and interests, as they are essentially the ASEAN six meeting consecutively with the foreign ministers of the U.S., Japan, Australia, New Zealand, and Canada.

Proposals for broader Pacific economic organizations have been frequent, but by government preference the results have been exclusively nongovernmental (and therefore nonbinding).[37] Japan has been a consistent source of these proposals, perhaps reflecting its leadership aspirations. The first official proposal, put forth by Japanese prime minister Miki in 1967, was for a Pacific Free Trade Area. It was based on the presumption that the impending completion of a European trade area would impact severely on the Pacific economies. Although the proposal was unable to garner wide governmental support, it did assist the Pacific Basin Economic Council (PBEC), formed in April 1967 from national groups of business managers, and the Pacific Trade and Development Conference (PAFTAD), first convened in Tokyo in January 1968, as an

[34] Rostow (fn. 21), 8, 198.

[35] See Leszek Buszynski, SEATO: *The Failure of an Alliance Strategy* (Singapore: Singapore University Press, 1983).

[36] Donald Crone, *The ASEAN States: Coping with Dependence* (New York: Praeger, 1983).

[37] The best treatments are to be found in Hadi Soesastro, "Institutional Aspects of Asian-Pacific Trade Cooperation," in *ASEAN and Pacific Economic Cooperation* (Bangkok: ESCAP, 1983); and Drysdale (fn. 25), chap. 8.

economists' forum.[38] These nongovernmental forums fostered great contact among academic economists and business circles in the Pacifi produced a fund of Pacific economic knowledge, and gradually extende their base of participants beyond the industrialized economies to incluc the developing economies of East and Southeast Asia. The 1960s ou comes were, however, merely associational, not involving governmen in any significant way.

During the 1970s Japan again, particularly Prime Minister Ohira, too the lead, with close Australian cooperation, in proposing a Pan-Pacif organization. This was vigorously pursued all around the Pacific littor as a central diplomatic goal through numerous study groups, seminar informal consultations, and published reports in 1978–80. Ohira car vased the developed countries to get their agreement before consultin the Pacific developing countries.[39] For the first time the idea was ser ously considered in U.S. congressional circles.[40] The result was the initi meeting of the Pacific Economic Cooperation Conference (PECC). Hel in Canberra in September 1980, it was attended by delegations from th U.S., Japan, Canada, Australia, New Zealand, the Republic of Kore and the (then five) ASEAN members. A picture of the motivating force may be gleaned from the report of that meeting:

> A sense of community in the Pacific may be under greater stress in the more difficult climate of the 1980s than in the 1960s and 1970s. The 1980s are bringing greater protectionist pressures in many countries, increased competition in international trade, a trend towards regionalism elsewhere in the world and heightened problems of access to resources.[41]

In the subsequent nine meetings through 1992, PECC expanded country participation and established an informational base for more liberal Pa cific economic cooperation. The original core members of PECC were first supplemented by Brunei, China, and Taiwan, with participation by the South Pacific Forum; in 1991 Hong Kong was admitted to complete the East Asian contingent, and Chile, Mexico, and Peru edged the roster toward a pan-Pacific membership. All major Latin American countries

[38] See Peter Drysdale, *The Pacific Trade and Development Conference: A Brief History*, Pacific Economic Papers no. 112 (Canberra: Australia-Japan Research Center, 1984).

[39] Reported in *New Nation* (Bangkok), January 3, 1980.

[40] See U.S. House of Representatives, Committee on Foreign Affairs, Subcommittee on Asian and Pacific Affairs, *Hearings*, "The Pacific Community Idea," 96th Cong., 1st sess., July 18, October 23, [illegible], 1979; and Peter Drysdale and Hugh Patrick for the Senate Foreign Relations Committee, Congressional Research Service, *An Asian-Pacific Regional Economic Organization* (Washington, D.C.: Congressional Research Service, 1979).

[41] "Report of the PECC I: Pacific Community Seminar, Canberra, September 15–18, 1980," in *Report of the Fifth Pacific Economic Cooperation Conference* (Vancouver: Canadian Chamber of Commerce, 1986), 159.

:nd observers, and some participate in task forces. The Soviet Union ad sent observers since 1986, and Russia entered in 1992, on its own ehalf and also representing the other CIS republics. The European ;ommunity closely monitors the organization.

The political objective of PECC is to forge an economic community in 1e Pacific. Drysdale asserts that the PECC represents "a significant eleation in the profile of government support for developing the practice f regional cooperation."[42] If so, the boost is quite modest. U.S. vice pres-lent Quayle, for example, addressed the 1991 meeting, and several naonal committees are nominally headed by high government leaders. lowever, the most obvious aspect of the tripartite (business, academic, overnment) structure of PECC is the close but *unofficial* nature of governnent participation. PECC committees have a wide range of task forces that ivestigate substantive issues and make reports available to the governients; despite the participation of government actors, however, the govrnments are under no obligation to accept the recommendations of iese reports.[43] Perhaps making virtue of necessity, the model avoids bu:aucratic institutionalization; some influential members point to the)rganization for Economic Cooperation and Development (OECD, comrised mostly of European countries) as something to be avoided. A iodest central secretariat, established in Singapore in 1990 to coordinate ieetings, can be seen as a symbol of the organization's Pacific roots and on-power politics orientation. The organization's goals now conform ither closely to an open market for goods and services; the predomiance of mainstream economists among the participants makes this orintation unsurprising.[44] Despite its higher original ambitions, PECC—like ll other regional economic associations of this era—has remained .rictly nongovernmental.

The causes of governmental hesitation through 1989 to embrace a reional economic organization fall into two categories. First, the impliations of power relations in such forums were viewed with suspicion; nd second, the multitude of Pacific value systems posed a challenge to ooperation. Frequently, elements of each are present in public expresions on the subject.

[42] Drysdale (fn. 25), 217.

[43] PECC operates as a series of task forces, each essentially a multicountry committee, as ollows: tropical forestry cooperation; trade policy; minerals and energy; transport, telecomiunications, and tourism; agricultural policy, trade, and development; fisheries; Pacific isind nations; science and technology; Pacific economic outlook.

[44] Perhaps this is the source of the apparent frustration of one major participant, who rgued that PECC should reduce the role of academics and focus on more "relevant" policy roposals.

The initial U.S. position was one of both disinterest in regional (as opposed to universal) regimes and concern about potential North-South problems.[45] Presumably, regional forums were seen as nested in more global ones and in some sense unnecessary because of them. Furthermore, the U.S. preferred global forums dominated by Western countries because they expressed more congruent values; forums with a substantial Third world membership could provoke unwelcome value clashes. Indeed, although President Reagan did appoint a Pacific ambassador in March 1983, the ambassador was at that time openly skeptical of Pacific organizations.[46]

The ASEAN members repeatedly expressed concerns that their position, relatively enhanced through the association, would be undermined,[47] as in this remark by a Filipino PECC participant: "Not a few tend to think of this developing sense of community as a 'great power–concocted scheme,' hence a threat to developing countries."[48] The perception at the time that economic interconnectedness was unmatched by politically equal voices was clearly expressed by Malaysians: "True interdependence must mean not just being mutually dependent on each other but some degree of equality of strength to support each other."[49] A Pacific organization of governments could become "a monster."[50] "Grand economic designs" should be the last thing Pacific Rim countries should pursue.[51] There was a suspicion that control of Southeast Asian resources and ties with the Group of 77 would be manipulated unfavorably by North-South organization, and in Indonesia there was concern that t U.S. and Japan would overwhelm ASEAN in a broader organization. Singaporean analyst noted that to appeal to ASEAN, such an organizati must offer better results than those yielded by bilateral approaches South Korea seemed to fall in line with the Japanese, proposing regul Pacific summits to promote North-South cooperation; but the idea w rejected by ASEAN.[53]

[45] Interview with Arthur Burns, *Straits Times* (Singapore), January 24, 1980.

[46] Ambassador Fairbanks, reported in *Straits Times* (Singapore), June 18, 1985.

[47] See Narongchai Akrasanee et al., *ASEAN and the Pacific Community* (Jakarta: Center Strategic and International Studies, 1981).

[48] Jose Leviste, Jr., "A Pacific Summit of Developing Countries," *Report of the Fifth Paci Economic Cooperation Conference* (Vancouver: Canadian Chamber of Commerce, 1986). Leviste was the head of the delegation from the Philippines.

[49] Prime Minister Mahathir, quoted in Hadi Soesastro, "Institutional Aspects of Asia Pacific Trade Cooperation," in *ASEAN and Pacific Economic Cooperation* (Bangkok: ESC 1982), 298.

[50] Musa Hitam, *New Straits Times* (Malaysia), August 16, 1985.

[51] Quoted in *New Straits Times* (Malaysia), January 4, 1985.

[52] Chia Siow Yue, "ASEAN and the Pacific Community," *Southeast Asian Affairs 1981* (Si gapore: Institute of Southeast Asian Studies, 1982), 47.

[53] President Chun, reported in *New Straits Times* (Malaysia), August 3, 1982, and reaction October 21, 1982.

To the degree that a Pacific order existed during the height of U.S. egemony, it was imposed without the explicit consent of the other Paific states. The security and economic "goods" that the U.S. provided vere part of a global strategy to contain the Soviet Union and China; hat is, the policy reflected American interests and was not directly deived from the interests of the region itself. The system of relations was n essentially bilateral one, between the U.S. on the one hand and each f the countries the U.S. chose to relate to on the other; each partner, of ourse, maneuvered to secure from the U.S. maximum advantage for self. Where economic relations were not shaped by U.S. security intersts, the clear preference and practice was for unilateral American conol, for example, in imposing control on the textile trade. The objects of at policy sought diverse means of evading its impact while appearing comply.[54] The fragmented system, and the relative affluence of the J.S., provided extensive opportunities for Asian nations to free ride and aneuver, while the U.S. was largely able to satisfy its objectives because f its vastly superior power.

Clearly, most governments preferred to keep their distance from reional economic organizations and thereby avoid being drawn into a rum that would erode their bilateral clout and threaten their values. leither the hegemon nor its regional subordinates found extensive reime formation to their advantage, as extreme gaps in relative power as ell as conflicting value structures shaped interpretations of national inrests away from this outcome.

IEGEMONIC DEFLATION

y the end of the 1980s much of the foregoing calculus seemed to have hanged. The several years of trial and observation in nongovernmental rganizations may have eased fears, and economic relations certainly did ntensify, perhaps confirming the functionalist view of institutional oriins. But broader forces were also at work, eroding the underlying basis f earlier judgments that weighed against regime formation.

First was the growing concern with, and at least initial acceptance of, e "decline" of American hegemony in economic and military terms.[55] he growing dominance of Japanese industry and finance was forcing a ethinking of multilateral models in a way that put new emphasis on the

[54] See David Yoffie, *Power and Protectionism* (New York: Columbia University Press, 983), chaps. 2, 3.

[55] The most discussed contribution seems to be Paul Kennedy, *The Rise and Fall of the reat Powers* (New York: Vintage, 1987). The validity of the notion is challenged by Bruce ussett, "The Mysterious Case of Vanishing Hegemony; or Is Mark Twain Really Dead?" *nternational Organization* 39 (1985); and Joseph Nye, Jr., *Bound to Lead* (New York: Basic ooks, 1990).

Pacific.[56] *If the U.S. was losing control at the global level,* regional fai backs seemed more attractive. By 1989, Pacific ambassador Fairbanl was testifying that the "new era" in the Pacific called for U.S. leadershi and a regional institution to preserve the U.S. security umbrella, its ma kets, and support for democracy.[57] Economic objectives seemed subo dinate to security issues in this policy shift. In the mid-1980s a U.S. fo eign service officer pointed out the utility of "constructive misdirectior in pursuing a Pacific regional organization that would have a securi dimension as well as the more widely desired economic one; he note that the larger states could get leadership without the costs of assertin domination, while the smaller ones could get increased legitimacy.[58] Se curity issues were also highlighted by Senator Alan Cranston and Se retary of State James Baker, who were obviously concerned that peacef Soviet overtures to participate in the Pacific economy and security syster might draw positive responses.[59] Soviet calls for an all-Asia forum t counter the monopoly of the U.S. and Japan and the threat of a "min NATO" in the Pacific seem to have been taken as a sign of the erosion c American power.[60] Security issues, rather than the importance of the Pa cific to the much vaunted U.S. trade/budget deficit problem, seem be hind the new interest in Pacific institutionalization, this at a time whe new and more powerful bilateral trade instruments were being deploye in Asia. A Pacific organization might stop the slide of United State power.

Second, the growth success of the developing Asian countries was fos tering a change of relationships and values. By mid-1988 trade issues ha multiplied to the point that the OECD began to treat the Asian NIEs as collective "problem"; a series of meetings with the "dynamic Asian econ omies" was organized for 1989–90 and beyond to review the outlook an linkages between the two groups.[61] Some—South Korea, Hong Kong and Taiwan—were clearly flattered by the attention; others felt threat ened. Malaysia particularly worried that the "NIC" label would be used

[56] Richard Drobnick, "The International Economy at a Crossroads: American or Japanese Leadership? Multilateral or Preferential Trade Relations?" *Chief Financial Officer* (October 1987).

[57] U.S. Senate, Foreign Relations Committee, *Hearings*, "Pacific Basin Forum," 101st Cong., 1st sess., September 21, 1989, 16–17.

[58] Richard Baker, *Asian-Pacific Regionalism: New Structures, Old Impulses*, Occasional Papers (Honolulu: East-West Center, 1985), 16–18.

[59] Cranston in U.S. Senate, Subcommittee on East Asian and Pacific Affairs, *Hearing*, "America's Economic and Security Interests in the Pacific Rim," 101st Cong., 1st sess., February 14–16, 1989; Baker, "A New Pacific Partnership: Framework for the Future" (Address, June 26, 1989).

[60] Reported in *Straits Times* (Singapore), April 30, 1986, and *Tass* (Moscow), April 25, 1986.

[61] "OECD Looks East," *Far Eastern Economic Review*, March 31, 1988, pp. 48–49; "Clubbing Together," *Far Eastern Economic Review*, February 9, 1989, pp. 58–60.

to stifle growth, and only reluctantly attended the meetings at an unofficial level.[62] But all found some common ground and interests with the club of industrialized countries. There was also a moderation of "Southern" values in some countries, as privatization and more liberal economic policies were adopted to cope with the difficulties of the 1980s.[63] Across the ASEAN membership, there was a shift away from the focus of managed dependence in the 1970s and toward regional integration and more orthodox economic policies.[64] The material and value gap had eroded somewhat from the more divisive 1970s.

The utility of ASEAN in fostering solutions for the increasingly pan-Pacific interests of its members also came into question. A major review of ASEAN's disappointing economic contributions in the 1980s, and an attempt to revitalize the association, was undertaken in the face of open skepticism on the part of many of its members.[65] Increasingly, members focused on broader arenas. Trade and economic diplomacy with the industrial states were brought to the center of Malaysia's foreign policy.[66] After 1985 Indonesia aggressively sought a foreign policy platform more in line with its size and strategic position; a new foreign minister appointed in 1988 was charged with raising Indonesia's profile.[67] The Thai government set its sights on forging a closer economic relationship with Burma and the Indochinese states to supplement those with ASEAN. A more outward focus increasingly prevailed.

Finally, the Pacific states were threatened by perceptions that the global trading system was devolving into exclusive blocs. The most serious was the image of a potential "Fortress Europe" after the 1992 Final Unification Act. But the U.S.-Canada Free Trade Pact, combined with President Bush's aggressive pursuit of a similar Mexico agreement, raised fears about the prospects of a North American free trade area. While all asserted that the purpose was to free, not restrict, trade, the reception in Asia has been profoundly skeptical.[68] The Indonesian foreign minister characterized the potential as one in which the developing

[62] Press reports, *New Straits Times* (Malaysia), May 27, 1989; author interviews.

[63] See "Privatization and Deregulation in ASEAN," special issue of *ASEAN Economic Bulletin* 5 (March 1989), ed. Ng Chee Yuen and Norbert Wagner.

[64] On the period of the 1970s, see Crone (fn. 36).

[65] See Donald Crone, "The ASEAN Summit 1987: Searching for New Dynamism," in Mohammed Ayoob and Ng Chee Yuen, eds., *Southeast Asian Affairs 1988* (Singapore: Institute of Southeast Asian Affairs, 1988).

[66] Reports in *New Straits Times* (Malaysia), July 29, 1985, June 1, 1986; and *Star* (Malaysia), October 8, 1987.

[67] The former minister, Mochtar, was replaced by Ali Alatas because of his inability to raise Indonesia's foreign policy profile sufficiently (author interview). See Alatas's interview in *Straits Times* (Singapore), September 3, 1988.

[68] See, e.g., Brian Mulroney, "Trade Outlook: Globalization or Regionalization," *Singapore Lecture* (Singapore: Institute of Southeast Asian Studies, 1990).

countries would be left in an "inhospitable jungle, where the rule o strongest would be the rule of the day."[69] At the same time, some excited at the prospect of a Pacific group gaining new influence in global order.

The combined shifts in power and values resulted in a far more re tive environment for a regional institution. This time the Australians the charge, out of a conviction that a firmer attachment to Northeast was essential to the success of their own economic future, one otherv threatened by marginalization.[70] An editorial, "Australia's Best Hop Joining the Right Club," noted that this "might not leave Australia tally friendless."[71] Closely assisted by the Australian PECC, Prime Mini Hawke embarked on almost a year of diplomacy to get a formative me ing for APEC in Canberra in November 1989.

The changed Pacific power distribution immediately affected the p posed membership in telling ways. In the first phase both Japan a Australia were reported eager to create just an Asian bloc as a count weight to Europe and North America; some ASEAN members empha cally opposed the idea, while others were equally concerned about Ja nese dominance and the "American problem."[72] This members proposal was co-opted by Secretary Baker's own midyear tour, wh cast the U.S. as a catalyst for cooperation, initially in economic affairs eventually in security affairs as well.[73] Apparently, prior U.S. reluctar to so engage the region was overcome by the prospects of being left and of being the target of such a bloc. The close economic linkages tween the U.S. and other Pacific states, combined with the absolute s of the U.S. economy, essentially dictated that U.S. participation could n be denied. Despite America's relative decline, its absolute size was st sufficient to shape the outcome.

The North-South dimension also affected negotiations. ASEAN's initi participation was hesitant, with the economic ministers cautiously su portive after initial rejection. Some characterized the Canberra "explo atory" meeting as a "steamroller" over ASEAN caution. Malaysia, at t

[69] APEC, Joint Ministerial Press Conference, Singapore, July 31, 1990.

[70] See the major government report: Ross Garnaut, *Australia and the Northeast Asian Asc dancy* (Canberra: Australian Government Publishing Service, 1989); Richard Higgott, *T World Economic Order and the Trade Crisis* (Canberra: Australian Institute of Internation Affairs, 1987).

[71] *Australian*, November 9, 1989.

[72] See, e.g., *Straits Times* (Singapore), August 10, 1989; *Far Eastern Economic Review*, N vember 5, 1989; *Washington Post*, August 16, 1989.

[73] Baker's speech, "ASEAN: Challenges and Opportunities," Department of State *Curr Policy No. 1190* (July 6, 1989); Richard Solomon, reported in *Straits Times* (Singapore), Sep tember 23, 1989.

treme, took no formal decision to participate in APEC and forced the postponement of the senior officials meeting after Canberra to signal displeasure with what they saw as the excessive speed of the process and concern about contrasting levels of development and the dominance of the rich.[74] Initially, ASEAN made a strong bid to be the core of any new organization, in order to preserve an element of Southern control. Considerable political concern about the erosion of ASEAN and about external dominance remain unaddressed and are central to subsequent attempts to reinvigorate and strengthen asean itself. The ASEAN members are loath to see their position as a "Southern" organization eroded.

A combination of cultural and power concerns produced the most serious challenge to APEC, in the form of Malaysia's proposal for an East Asia Economic group. The original notion, advanced at the end of 1990, was to include all of East Asia, from ASEAN through Japan (nominated as leader) in an Asian bloc that would counter Western blocs. The proposal is consistent with Malaysia's continuing Third World identification, expressed in Prime Minister Mahathir's leadership role in the formation of the Group of 15 for South-South Consultation and Cooperation, a move aimed to be a political balance to APEC.[75] Motivating this effort is frustration with Western liberal values and their imposition on regional domestic affairs.[76] With outright U.S. opposition (on the premise that it was exactly the East Asian bloc that the U.S. had joined APEC to avoid), the proposal was diluted to an inchoate Asian caucus within the larger Pacific in order to gain diplomatic support around ASEAN and with Japan.

While issues of power and of conflicting cultures had been constraints during the APEC negotiations, neither any longer prohibited its formation. Until the 1980s Pacific institutionalization had been inhibited by U.S. indifference and by small-state hesitation to engage with the hegemon beyond existing bilateral ties. Power concerns were reinforced by culture clashes, especially along a North-South axis. With the shift in Pacific power structures, the smaller states sought to balance U.S. and Japanese strength in order to sustain their own advances, while the U.S. modified its previous opposition in order to avoid confronting a now formidable group. As for ASEAN members in particular, erosion of their organizations' centrality and lingering value incongruence made them hesitant to accept APEC. Threats of exclusive trade blocs in Europe and

[74] A meeting of senior officials. *Straits Times*, February 14, 1990; author interviews, Kuala Lumpur.

[75] The composition of this group was contrasted favorably with that of APEC in local reports: *New Straits Times* (Malaysia), June 2, June 4, December 11, 1990; author interviews, Kuala Lumpur, June 1991, March 1991.

[76] Author interviews, Kuala Lumpur, June 1991.

especially in North America tipped the balance. For the U.S., the prospect of extensive erosion of security and economic positions in the Pacific induced new enthusiasm for regional cooperation. Despite widespread reluctance, a new organization became strategically rational for all.

IV. A Pacific Regime?

The final core APEC membership of the ASEAN members, Australia, Canada, China, Taiwan as Chinese Taipei, Hong Kong, Japan, New Zealand, South Korea, and the U.S., clearly establishes an exclusively Pacific organization with considerable potential as a bloc in the global economy.[77] Confined to the strongest of the Pacific economies, it is obviously designed to present a formidable face to other groups. The formal stand, that APEC is a bloc against "blocism," has not been persuasive. The high level of European concern about the formation of APEC reflected clear recognition of their potential.[78] APEC is a bloc, but is it also a regime?

It does have a wide agenda and supporting institutional structure. Work teams were set up to consider trade and investment data, trade promotion and cooperation, investment and technology transfer, human resources development, energy cooperation, telecommunications, and marine resource conservation; several other areas were also identified for potential adoption. Each team is led by several members—"shepherds" responsible for organizing the work. That APEC's structure is similar to ASEAN's as "a vast, decentralized, orbiting intergovernmental congress in intermittent session" reflects a common distrust of bureaucratic structures that might become independent of their state sponsors.[79] In 1992 Singapore was selected over two other locations as the site for a secretariat.[80] APEC has established mechanisms for a wide range of joint consultations, which is a significant shift from the prior bilateral system.

APEC also has a supporting community of sorts. PECC has an institutionalized role at the APEC table (as does ASEAN). Even more, PECC has been

[77] Despite numerous expressions of interest in joining, the organization is to be held at this size for the next several years. For a discussion of the formation of APEC, see Donald Crone, "The Politics of Emerging Pacific Cooperation," *Pacific Affairs* 65 (Summer 1992).

[78] E.g., *Far Eastern Economic Review*, July 20, 1989, p. 10: "Our message to Australia is a storm warning . . . we cannot accept a forum of this kind." *The Economist* sneered "Puffers in the Pacific," November 11, 1989, p. 15.

[79] Chng Meng Kng, "ASEAN's Institutional Structure and Economic Cooperation," *ASEAN Economic Bulletin* 6 (March 1990), 273.

[80] An ASEAN location was always most likely, as a concession from the industrial countries to Southern concerns about power disparities. Singapore, Jakarta, and Bangkok had each been proposed, with vocal support from PECC, ASEAN, and the Thai government, respectively. The Singapore location will further cement ties with PECC. Author interviews, Singapore, March 1992.

tasked with handling some of the APEC work team projects directly, and it contributes indirectly to others, especially where political sensitivities on the part of governments are high. Government financial support for PECC has increased since the formation of APEC. By virtue of the national committees for PECC, the emerging Pacific network extends into the business and academic community; closer ties are possible with the Pacific Basin Economic Council and the Pacific Trade and Development Conference. Support for greater cooperation is notable among firms engaged in the Pacific economy, and of course their degree of engagement is increasing almost daily. The PECC substructure provides an avenue for interest-group politics that connects eventually with governments. While increasing Pacific economic interdependence did not cause institutionalization, it does support it and contribute transnational underpinning to an intergovernmental regime.[81]

The APEC ministers have so far taken only a few strong positions on common global issues. Of these they stressed one in particular: trade. Initially focusing on the GATT round, a special APEC meeting in Vancouver and an APEC caucus in Geneva were organized to "remind the GATT members of the serious implications" of a failure of the Uruguay talks.[82] Reduction of regional trade barriers formed a central element of the third meeting in Seoul, to the extent that consideration of a "Pacific Round" in the event of the failure of the Uruguay Round was undertaken. Free trade is one core value of APEC—preferably on a global basis but at least on a Pacific basis.

Expectations are that some of the joint work projects will shape and constrain the behavior of members. Some members explicitly see the trade project as a venue for considering certain aspects of protectionism and thereby modifying the final impact. The technology transfer project is viewed hopefully by those charged with soliciting desirable foreign investment. The Human Resources Development Initiative is a response to ASEAN notions that there should be a North-South resource transfer element to APEC, a principle that had been rejected by both the U.S. and Japan.[83] There were immediate gains to be captured by the formation of APEC, and further gains were anticipated.

Common norms for the functioning of the international economy do exist then. The general importance of a liberal international trade system

[81] The central voice of PECC consistently opposed any level of bureaucracy, even a secretariat.

[82] Quote from *Straits Times* (Singapore), August 1, 1990.

[83] The program was offered by Secretary Baker at the Singapore APEC II. *Straits Times* (Singapore), August 1, 1990. Japan will also participate.

markets, they would be able to lick inflation, "get the prices right," reassign resources to export activities, and spur sustained economic growth.[4]

One explanation for neoliberal economic restructuring in the Southern Cone focused on the role of highly autonomous military regimes and their civilian technocratic allies. These studies stressed the foundational character of the neoliberal projects, meaning that they were efforts to reorganize society, economy, and politics in a fundamental way.[5] State elites turned to the market and authoritarianism literally to recast their nations and thereby overcome their crisis of modernization.

The emphasis on the role of the state and technocratic elites in these societal restructuring projects stemmed from a recognition that the state had to repress not only labor and political parties but also significant sectors of the upper classes. Thirty years or more of import-substitution industrialization had created entrenched private interests that favored the maintenance of high trade barriers and sectoral policies that shifted resources from agriculture, trade, and the financial sector to domestic industry. Moreover, given the change from rural to urban-industrial development between the 1930s and the 1960s, the industrial bourgeoisie was frequently considered to be the most politically significant fraction of the upper classes.

A second explanation for policy change focuses on the learning capacities of technocrats: they learn how to refine policy instruments and their mix in order to overcome previous shortcomings.[6] Of course, reducing the problem to this dimension assumes a high degree of state autonomy. From this perspective, then, policy shifts during Pinochet's dictatorship resulted from the pragmatic responses of technocrats to perceived failures; specifically, given the shortcomings of gradual adjustment (1973-75), policymakers adopted more radical measures. Similarly, once the defects of the previous policy package were manifest after 1981, policy makers moderated and regulated liberal reforms.

Both approaches emphasized the interests of state elites, their capacity to attempt a fundamental reorganization of their economies, societies

[4] For a description of these policies, see Foxley (fn. 1); Joseph Ramos, *Neoconservative Economics in the Southern Cone of Latin America, 1973–1983* (Baltimore: Johns Hopkins University Press, 1986); Sebastian Edwards and Alejandra Cox-Edwards, *Monetarism and Liberalization: The Chilean Experiment* (Cambridge: Ballinger, 1987).

[5] For the foundational character of these regimes, see Manuel Antonio Garretón, *El proceso político chileno* (The Chilean political process) (Santiago: Facultad Latinoamericana de Ciencias Sociales, 1983); and William C. Smith, *Authoritarianism and the Crisis of the Argentine Political Economy* (Stanford, Calif.: Stanford University Press, 1989).

[6] For policy learning, see Peter A. Hall, *The Political Power of Economic Ideas: Keynesianism across Nations* (Princeton: Princeton University Press, 1989); Hugh Heclo, *Policy and Politics in Sweden: Principled Pragmatism* (Philadelphia: Temple University Press, 1987).

ınd polities, and the conditions under which they do so. They fused the ;eneral characteristics of statist arguments—centralization of authority, nsulation of technocrats from pressure groups, and ideological homo-;eneity among top policymakers—with the more specific and crisis-ırone conditions of the Southern Cone of Latin America.[7]

Although these explanations underscore some of the key conditions hat made neoliberal restructuring possible, they leave significant ques-ions unaddressed. For all its utility, state structure cannot explain the ontent of policy. The problem is that the state structure approach, by its 'ery nature, undervalues the fact that policy requires carriers. And al-hough technocrats, their ideology, and their capacity to learn may give ontent to policies, to focus on them exclusively leaves a deeper question ınanswered. What factors influence the triumph of one set of techno-rats and their ideology over another? The question is relevant because here are always competing ideologically anchored policy alternatives. Vhy turn to neoliberalism instead of stressing economic stabilization, ıbor repression, and the "deepening" of industrialization as the bureau-ratic-authoritarian regimes had in the 1960s?[8] Moreover, the assertion hat policymakers learn underplays the political significance of the fact hat major policy shifts are often accompanied by changes in technocratic ersonnel. Heated public policy debates, even within a narrow circle, requently precede such changes, and it is recognized that military power ıolders usually appoint persons believed to be representative of particu-ar groups to top technocratic positions.

Framed this way, a full explanation of the policy shift from import-ubstitution industrialization to neoliberalism and export-led growth in Chile and elsewhere also requires an examination of the social groups—ıowever narrow—to which state elites turned for support. For in capi-alist economies, where much of the productive apparatus is in private ıands, state actors must find upper-class allies willing and able to re-

[7] Classic examples of the statist approach include Theda Skocpol, *States and Social Revo-utions* (Cambridge: Cambridge University Press, 1979); Stephen Krasner, *Defending the Na-onal Interest* (Princeton: Princeton University Press, 1978); Judith Goldstein, "The Political conomy of Trade: Institutions of Protection," *American Political Science Review* 80 (March 986).

[8] The neoliberal cases of the 1970s were different from the bureaucratic-authoritarian (BA) xperiences of Brazil and Argentina in the mid-1960s. Although economic and political crises lso contributed to their rise and they too emphasized labor repression and economic stabi-ization, they did not seek to reduce the state's role in the economy; nor did the BA regimes ncourage a rapid shift of resources from import-substitution industrialization to agricul-ural-commodity export, or pursue extreme market liberalization. To the contrary, they ought to "deepen" industrialization, which required state-directed industrial policy. For a ecent discussion of these differences, see Hector E. Schamis, "Reconceptualizing Latin American Authoritarianism in the 1970s: From Bureaucratic-Authoritarianism to Neocon-ervatism," *Comparative Politics* 23 (January 1991).

spond to policy initiatives.[9] To argue, however, that shifting coalition capitalists and landowners are a necessary factor in the explanatioı policy change does not mean that other factors are inconsequential. S structure, ideology, and international factors also played important rı in shaping the coalitions and policy. The main question is when and ł external factors, domestic institutions, and social groups matter in s processes.[10]

Stephan Haggard provides a good point of departure.[11] Although discusses the relationship between international, state, ideological, ; class variables, he stresses the role of external and state structural fact He holds that international conditions play a permissive role by open some options and closing others; that is, it makes a difference whet the world economy is expanding, contracting, or in a state of crisis. Mo over, his work is sensitive to the importance of political change at domestic level. He argues forcefully that state structure influences wh social groups participate in policy-making and under what conditi (that is, with what institutional power resources).[12] If there is an abr change of political regime—say, from democracy to dictatorship— range of policy experimentation during a period of economic crisis n be much greater because state elites have a freer hand in selecting so support bases. Haggard's argument implies that labor-repressive auth itarian regimes such as Chile's will tend to bar all but large-scale capi ists and landowners from the politics of economic policy-making. Un these conditions, the kinds of coalitions and policies that arise will markedly different from those in which labor and the middle classes significant actors.[13]

Haggard's observations with regard to how external factors and (mestic institutions influence options for state elites are very useful. Ecl ing much of the Latin Americanist literature, however, he views capit ist and landowning elites as essentially passive actors—the recipients state policy and at best only able to block policies that significan threaten their interests. In short, Haggard never really shows how co

[9] For this view, see Charles E. Lindblom, *Politics and Markets* (New York: Basic Boc 1977).

[10] Recent scholarship in the field of Latin American politics has called for the developm of approaches that tackle these theoretical problems. See Peter H. Smith, "Crisis and I mocracy in Latin America, *World Politics* 43 (July 1991); and Schamis (fn. 8).

[11] Stephan Haggard, *Pathways from the Periphery: The Politics of Growth in the Newly dustrializing Countries* (Ithaca, N.Y.: Cornell University Press, 1990).

[12] For a similar view, see John Zysman, *Governments, Markets and Growth: Financial S tems and the Politics of Industrial Change* (Ithaca, N.Y.: Cornell University Press, 1983).

[13] For inclusionary and exclusionary regimes, see Alfred Stepan, *The State and Society: P in Comparative Perspective* (Princeton: Princeton University Press, 1978).

ions affect policy.[14] What theories might allow a fuller grasp of the role at large-scale businessmen and landowners play in policy-making?

Many analysts underestimate the role of societal forces in the shift om import-substitution industrialization to neoliberal economic poli-s, for three reasons. First, the level of aggregation of the relevant isses is too high. As a result, they tend to assume that in labor-repres-/e authoritarian regimes industrialists are essentially the only relevant tors in the capitalist class. Second, they have a linear rather than rela-nal conception of power between social groups and the state. They ly take into account conflicts between the state and the group that is versely affected (that is, industrialists or landowners). Consequently, ey underestimate tensions among competing social coalitions and the ite (that is, financiers, merchants, and landowners who support a policy itiative as opposed to manufacturers and labor who do not).[15] Third, idies that rely on state structural explanations usually consider only the iks between *organized* business and the state in determining the extent which state actors are insulated from societal pressure.[16]

The work of both Peter Gourevitch and Jeff Frieden provides a good irting point for overcoming these problems.[17] Each stresses the impor-ice of disaggregating class-based groups.[18] Frieden offers useful obser-

[14] For an elaboration of this critique of Haggard, see Robert Wade, "East Asia's Economic ccess: Conflicting Perspectives, Partial Insights, Shaky Evidence," *World Politics* 44 (Jan-y 1992).

[15] For a discussion of this view of power and its consequences, see Peter Swensen, "Bring-; Capital Back in, or Social Democracy Reconsidered: Employer Power, Cross-Class Alli-es, and the Centralization of Industrial Relations in Denmark and Sweden," *World Poli-* 43 (July 1991); and Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* Princeton: Princeton University Press, 1990).

[16] Studies that focus on organized business include Campero (fn.1); and Philippe C. chmitter, *Interest Conflict and Political Change in Brazil* (Stanford, Calif.: Stanford Univer-ty Press, 1971).

[17] Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Cri-s* (Ithaca, N.Y.: Cornell University Press, 1986); Frieden, "Classes, Sectors and Foreign Debt i Latin America," *Comparative Politics* 21 (October 1988).

[18] Some Marxist and dependency school analysts have drawn distinctions between the na-onal and the internationalized industrial bourgeoisie. They generally emphasize the degree which domestic capitalists associated with transnational corporations, for example, in their censing and credit arrangements and their willingness to form joint ventures. This distinc-on helped to explain the structural characteristics of dependent economies in the periphery nd semiperiphery of the world economy and aided in assessments about the likelihood of rogressive (or socialist) social and political change. Some studies also examined alliances etween international finance and the internationalized bourgeoisie to explain the trend to-vard neoliberalism in Latin America. My analysis, while seeking to build on these insights, liffers on several important counts. First, this article focuses on explanations for economic olicy change, rather than on the structural characteristics of the economy and its implica-ions for national liberation. Second, I examine a much broader range of dominant class ractions, including landowners. The Marxist and dependency approaches usually focus only n the industrial bourgeoisie and, in a few instances, the financial bourgeoisie. Third, I dis-ggregate class fractions more than the Marxist or dependency approaches. Because the

vations about how the economic characteristics of firms influence the type of policies their directors will back: whether market-oriented or sectoral. He argues that holders of liquid assets (in banking, real estate and trade) prefer the former and that holders of fixed assets (industry and landowners) favor the latter. That is because the former can adjust more quickly to market signals than the latter.

It is certainly important to know when firms are likely to back government policy with investment, and Frieden's disaggregation captures the economic interests of two polar types: industrial conglomerates that rely on high levels of protection and economic groups with a heavy concentration in highly mobile financial, commercial, and speculative assets. This method, however, underestimates the significance of how alliances of both liquid-asset holders and fixed-asset holders influence the policy demands of competing business coalitions.[19] One solution is to combine Frieden's insights with Gourevitch's approach to coalition building. That makes it possible to identify more nuanced economic interests and thus to unpackage more fluid and varied economic policy coalitions. The group that dominates the coalition sets the emphasis of overall policy demands.

One of Gourevitch's criteria for disaggregating social groups is to classify them according to the markets for which they produce, whether international or domestic. For Latin America the choice seems warranted given the nature of the two major competing developmental strategies since the 1930s: import-substitution industrialization behind high protective barriers (ISI) and open economies seeking to exploit their comparative advantages in agriculture and extractive industries. Because one of the central conflicts in shifts from ISI to open economies turns on the issue of trade, producers for domestic markets who are uncompetitive in world markets should favor protection, and groups tied to internationally competitive sectors should support more open economies.

Although Gourevitch's approach to disaggregation is broader and more flexible than Frieden's, the two are not incompatible. In fact, they

Marxist and dependency approaches examine a narrower range of dominant class fractions and because they tend not to disaggregate them, they have difficulty explaining differences in the degree, style, and substance of economic adjustment across countries and within them. I argue that explaining those outcomes requires, among other things, taking into account a much broader range of the bourgeoisie's class fractions and disaggregating them more. It allows us to uncover more fluid and varied coalitional possibilities, which help to unearth the social basis of economic policy changes even in extremely repressive capitalist states.

19 The evidence presented in this article calls into question Frieden's argument that extreme class conflict produced a "Bonapartist" situation in which capitalists gave state elites a free hand in economic policy-making in return for order.

complement each other nicely. By combining the two we can consider the policy stances of (1) capitalists with fixed assets in internationally oriented industrial and agricultural sectors (mining, fishing, logging, and fruits), as well as those with (2) fixed assets in industries that produce for domestic markets but are internationally competitive (mainly the food-processing industry). The policy preferences of these groups tend to be different from those of liquid-asset holders with strong connections to the international financial community; their preferences also differ from those of producers with fixed assets in internationally noncompetitive sectors in industry and agriculture (consumer durables, grains, and livestock). Fixed-asset international-market-oriented groups should support open economies but not oppose all sectoral policy. Fixed-asset domestic-market-oriented internationally competitive producers should favor sectoral policies but not be adamantly against gradual reductions in protection.

Having identified the relevant groups, their economic interests, and likely policy stances, the next task is to consider how shifting coalitions of those groups affect policy demands and content. Gourevitch argues that uncovering coalitions requires a close examination of policy debates and that an alliance's relevance to policy outcome depends on its existence before policy is announced. His work also suggests that business organizations are not necessarily the sole means of class representation; upper-class elites also articulate their economic interests through personalistic, ad hoc channels.[20] Finally, and here Gourevitch borrows from instrumentalist conceptions of the relationship between state and society, class background and economic interest may link key policymakers to shifting capitalist coalitions, which further connects coalitions to policy content.[21]

[20] This is highlighted in Gourevitch's treatment of Bismarckian Germany and the shift from free trade to protectionism in the 1890s.

[21] Some of the earlier literature on authoritarianism recognized that the military selected influential persons to direct government economic agencies because they presumably spoke for important business and landowning constituencies. But subsequent work rarely explored the class-based background of highly ideological ministers of economic affairs. And when it did, it failed to tie them to larger coalitions of capitalists and landowners both inside and outside business organizations. For the classic statement, see Juan J. Linz, "An Authoritarian Regime: Spain," in Erik Allardt and Stein Rokkan, eds., *Mass Politics: Studies in Political Sociology* (New York: Free Press, 1970). For work that connects ministers to class backgrounds, see Guillermo O'Donnell, *Bureaucratic Authoritarianism: Argentina, 1966–1973, in Comparative Perspective* (Berkeley: University of California Press, 1988), 72. For a study that does link capitalist coalitions to the state, see Sylvia Maxfield, *Governing Capital: International Finance and Mexican Politics* (Ithaca, N.Y.: Cornell University Press, 1990). For an instrumentalist view of the state, see Ralph Miliband, *The State in Capitalist Society: An Analysis of the Western System of Power* (New York: Basic Books, 1969).

In sum Haggard, Frieden, and Gourevitch's work is clearly complementary, and their synthesis offers a fuller explanation of the shift from ISI to neoliberal restructuring and export-led growth in authoritarian Chile and, by extension, elsewhere. Haggard highlights the international and domestic institutional dimension of the problem and shows how these factors shape coalitions and the possibilities for economic change. But he underestimates the role that business and landowning groups play in giving content to policy. Frieden and Gourevitch fill in this gap. When social groups are disaggregated, more varied sources of support and opposition for competing policy options emerge. Moreover, Gourevitch stresses the importance of coalitions in giving content to state policy initiatives and suggests avenues for tracing the linkages between coalitions and the state.

This leaves a final question, which factor matters when? Chile under Pinochet suggests that authoritarianism excluded all but the top economic elite from the policy-making process. External factors, especially international capital flows, influenced which faction of capital dominated at a particular time. Pinochet and his policymakers listened to those capitalists because they seemed to hold the key to economic growth, a particularly important function since the regime was keen to establish policies designed to give capitalists full control over investment.

The Cases

Using this framework, a comparison across three distinct policy periods in authoritarian Chile—gradual, radical, and pragmatic neoliberal restructuring—reveals that in addition to such factors as international conditions, state structure, and ideology, capitalist coalitions also played a significant role in Chile's economic policy shifts.[22] As the next sections show, coalitional change accompanied policy change. In each period policymakers relied on a distinct capitalist coalition that helped to set the policy agenda and established privileged networks with state institutions and actors before the policies were adopted.[23] It is equally clear, however, that external conditions and state structure played an important role in shaping both the coalitions and their power resources.

[22] For a useful overview of these periods, see Carlos Hurtado, *De Balmaceda a Pinochet* (From Balmaceda to Pinochet) (Santiago: Ediciones Logo, 1988).

[23] For policy networks, see Peter Katzenstein, ed., *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States* (Madison: University of Wisconsin Press, 1978); G. William Domhoff, *The Power Elite and the State: How Policy Is Made in America* (New York: Aldine de Gruyter, 1990); Michael Mann, *The Sources of Social Power*, vol. 1 (Cambridge: Cambridge University Press, 1986).

From Import Substitution to Gradual Adjustment, 1973–75

The economic and political crisis unleashed by Unidad Popular's attempt to introduce socialism in Chile between 1971 and 1973 essentially destroyed the policy coalition that had supported import-substitution industrialization (ISI) in democratic Chile. The core of the populist ISI coalition had consisted of manufacturers for domestic markets in tacit alliance with organized urban labor mediated by centrist middle-class political parties.[24] The socialist experiment, however, united capitalists, landowners, the middle classes, and their political party allies against labor, peasants, and leftist parties.[25]

The coup coalition agreed that it opposed socialist policies of nationalization, but it was not of one mind with respect to the economic development model that should follow. Throughout 1973, both before and after the overthrow of Salvador Allende, economic policy debates picked up where they had left off in the late 1960s: over whether to continue with an economic development model that gave industry high protection and thereby gradually stabilize the economy; to dismantle barriers to trade slowly and stabilize the economy in ways that threatened only the most inefficient; or to introduce draconian economic stabilization and market liberalization.

In a climate of mass mobilization, sporadic violence, and subsequent massive repression, these economic policy debates continued more or less behind closed doors. On January 10, 1974, the newly installed military government opted for the second policy alternative—a gradual approach to import liberalization and stabilization. The authorities decreed gradual tariff reductions from an average rate of 94 percent to 60 percent in three years; and devaluations of a unified exchange rate offered additional protection. The idea was to allow manufacturers to adjust to stiffer competition from regional markets (principally the Andean Common Market).

State structure explanations for this outcome would argue that authoritarianism robbed industrialists—the group most affected by trade liberalization—of the institutional levers they had relied on to defend their interests in democracy. As a result, state actors were able to open the economy to international trade over the objections of the groups most

[24] Foreign direct investment was an additional component of the ISI strategy.

[25] For representative samples of the extensive literature on those periods of Chilean history, see Brian Loveman, *Chile; The Legacy of Hispanic Capitalism* (New York: Oxford University Press, 1979); Barbara Stallings, *Class Conflict and Economic Development in Chile* (Stanford, Calif.: Stanford University Press, 1978); and Stefan de Vylder, *Allende's Chile* (Cambridge: Cambridge University Press, 1976).

directly affected by the change. As will be seen, state structure was certainly an important factor. Nevertheless, such explanations underestimate the role of other capitalist and landowning groups in giving content to the gradualist policy option. This section traces the rise of a complex capitalist coalition that supported gradualism, its linkages to state institutions, and the way state structure helped to shape the coalition and its power resources.

Before proceeding, however, it should be noted that the technocratic learning approach is equally inadequate for explaining the gradualist policy choice. Such an approach would start from the assumption that authoritarianism insulated technocrats from pressure groups; it would argue that since the 1950s technocrats had learned that high levels of protection could not be maintained without causing serious distortions in Chile's economy. While this is plausible and contains a grain of truth, contradictory evidence indicates that technocrats did not have a free hand. To begin with, the technicians who designed the policy worked under the direction of high-level civilian advisers appointed by the military. These advisers were among the core leaders of the gradualist coalition. Moreover, many of the technocrats themselves had business links with economic groups that variously supported either gradualism or more rapid economic change. And finally, prominent members of the gradualist coalition had privileged access to policymakers.

What, then, was the composition of the gradualist coalition, and why did it dominate? The policy debates of the period reveal that a significant intersectoral coalition supported the gradualist option. Backing for continued high protection or drastic opening appeared scant. The business associations of manufacturers for domestic markets that could not compete with imports—metals, electronics, and textiles—supported continued high levels of tariff protection. However, industry's peak association (Sociedad de Fomento Fabril, SFF) joined the landowner's peak association (Sociedad Nacional de Agricultura, SNA) in support of a gradual reduction of tariffs; also in their camp were mineowners (Sociedad Nacional de Minería, SONAMI) and the large-scale commercial sector (Cámara Nacional de Comercio, CNC). As a result, the Confederation of Production and Commerce (CPC), the umbrella organization of the peak associations, threw its weight behind the gradualist approach.[26]

[26] For the minority policy position within the SFF I relied on personal interviews with Gustavo Ramdohr, former director of the metal-sector's association, and Orlando Sáenz, president of the SFF at the time. These and all other interviews took place in Santiago de Chile between July 1988 and June 1989. For the policy position of the SNA, see *El Campesino*, November 1973 and January–February 1974; for the CNC, see *Memorias Anuales*, 1973 and 1974; I derived SONAMI's position from a personal interview with Manlio Fantini, a member

The gradualist coalition reflected the shifting nature of the relationıip between those organizations. As a result of ISI policies, the SFF had ecome the most powerful of the large-scale business peak associations ver the previous twenty years. After the coup a number of factors sugested to the SFF that compromise was preferable to confrontation with ·ctors that had historically preferred lower tariffs.[27] Moreover, in keepıg with theoretical expectations, landowners (the second most powerful roup) and mineowners supported sectoral policies for themselves, ·hich probably eased acceptance of sectoral policies for industry as well. ı short, the essence of the gradualist coalition was an accommodation. ıternationally competitive industrialists producing for domestic marets dominated, but others were also included: internationally oriented roducers in both fixed- and liquid-asset sectors (mineowners and merıants) and landowners who wanted a reduction of tariffs but sought rotection for themselves through price floors and ceilings for their prod:ts.[28]

The SFF endorsed gradual tariff reductions for industry mainly beıuse of domestic factors such as past policy and, especially, the change ı type of government. To begin with, Allende's nationalization policy ·eakened industrialists economically and diverted attention from tariff olicy. More importantly, a somewhat debilitated SFF now stood alone ;ainst other business and landowning groups that had long wanted to :duce high tariff barriers in order to increase investment in their own ·ctors. In the democratic period manufacturers for domestic markets ad tacitly relied on a nonbusiness coalitional partner—organized laər—which benefited from increased employment. According to a forıer finance minister, the SFF had also been able to stave off government›onsored tariff reform by threatening to incite labor unrest.[29] The llende experience and the labor-repressive military government that ›llowed destroyed those relationships. Thus, in the context of more or ss unmediated relations with the state, the SFF found itself both bereft f alliance partners against other business and landowning sectors and

SONAMI's elected board, and Carlos Rodríguez, SONAMI's director of planning. For the SFF's ance, see *El Mercurio*, December 15, 1973, and January 9, 1974, as well as SFF president rlando Sáenz's speech in *Informativo SFF*, February–March 1974. For the CPC's policy posiən I relied on personal interviews with Manuel Valdés, organizer of the Second CPC Con:ntion in December 1973, and media accounts of the convention in *El Mercurio*, *Ercilla*, and *l Campesino*.

[27] The fact that gradual adjustment stressed industrial development showed that the SFF ıll commanded great power. *Informativo SFF*, February–March 1974.

[28] Domestic market producers in agriculture opposed high tariffs because they diverted ıvestment to industry.

[29] Author interview with Sergio Molina, minister of finance in the mid-1960s, Santiago de hile, May 1988.

with reduced economic power due to extensive nationalization betwe 1971 and 1973.

The SFF's isolation in the CPC over the tariff question combined wi another factor to further ease acceptance of gradual adjustment. Tl majority of SFF elected members either worked in internationally con petitive firms or had multiple economic interests, which eased the bu den of adjustment for them. From 1973 to 1974, of a total of thirty-o elected members sixteen were occupied in internationally noncompet tive activities (metals, textiles, electronics, chemicals). However, twel of those sixteen also had interests in competitive sectors (mostly foo processing) that mitigated their need to give vigorous support to existin levels of protection. Furthermore, six had interests in commerce, financ and agriculture; four were executives of the Banco Hipotecario de Chi (BHC), an internationalist conglomerate with a high concentration in lic uid assets; two worked for multinational corporations.[30] Finally, manu facturers for domestic markets with economic interests firmly planted i uncompetitive sectors and that had votes in the SFF were a minorit within the organization. Their complaints and demands went largel unattended because even when the issue of retaining high levels of pro tection gained a place on the agenda of the SFF's general council, it wa voted down.[31]

Not only did the gradualist coalition of business peak associations tak a policy stance, but it also collaborated with the military government an its civilian advisers in the formulation of the gradualist policy. In Decem ber 1973 the CPC held a convention to discuss policy recommendations At that meeting the CPC agreed that it supported privatization, price de regulation, the creation of private capital markets, and gradual reductio in protection.[32] Then, during and after the convention private secto leaders met with government officials to discuss policy.[33] However, thi was but the public side of a private, inner coalition that furnished many of the new military regime's civilian advisers. Gradualists controlled thi coalition as well, and the network of relations between gradualists in the

[30] These and all other prosopographical data on SSF members and government officials were culled from SSF, *Memorias* (Annual report), selected years; Colegio de Periodistas, *Diccionario Biográfico* (Who's who), selected years; company annual reports; and *Directorio de Ejecutivos y Empresas* (Directory of firms and executives), selected years.

[31] Author interview with Gustavo Ramdohr, former official of the metallurgical-sector association, *Asociación de Industrias Metalúrgicas*, Santiago de Chile, 1988.

[32] Accounts of the convention are from *El Mercurio*, *Ercilla*, *El Campesino*, and author interviews with Jorge Fontaine, president of the CPC at the time, and Manuel Valdés, vice president of the CPC and the principal organizer of the business summit. The interviews were conducted in Santiago, Chile, on August 6, 1989, and March 29, 1989, respectively.

[33] Author interview with Valdés (fn. 32).

public and private coalitions reinforced their dominance over extreme protectionists and radical internationalists alike.

In the newly installed authoritarian regime, groups that had direct access to power holders (the military and well-placed civilian authorities) were privileged over those that did not enjoy those connections. The distribution of civilians in top economic policy-making ministries and advisory positions clearly reflected the dominance of gradualists within the policy coalition. This heavily influenced support for the gradualist option over either rapid trade liberalization or continued high levels of protection. That the military relied on gradualists was no accident. They had controlled both the business mobilization against Allende—led by the Monday Club—and the development of a postcoup economic program, the Brick, that the military had commissioned from the Monday Club before the coup.[34]

The economic interests of the regular members of the Monday Club and the Brick reflected the accommodation of economic interests at the core of the gradualist approach: a coalition dominated by internationally competitive producers for domestic markets with internationally oriented sectors, in which the former dominated. The Monday Club and the Brick were controlled by businessmen linked to the Edwards conglomerate; executives from the BHC economic group participated as well.[35] The key lies in the economic composition of the conglomerates—the degree to which they were involved in industrial sectors that were either internationally noncompetitive or competitive as opposed to the degree to which they focused on production for international markets (mining, fishing, logging) and liquid-asset sectors such as banking, insurance, real estate, and commerce. It must be stressed, however, that the difference between these and other important conglomerates was a matter of degree, rather than absolute. In other words, although the conglomerates were clearly weighted in one direction or another, many of

[34] For the Monday Club and the Brick (*El Ladrillo*), see Philip O'Brien, *The Pinochet Decade* (London: Latin America Bureau, 1983); Arturo Fontaine Aldunate, *Los economistas y el presidente Pinochet* (The economists and President Pinochet) (Santiago: Editorial Zig-Zag, 1988); Ascanio Cavallo, Manuel Salazar, and Oscar Sepúlveda, *La historia oculta del régimen militar* (The hidden story of the military regime) (Santiago: Editorial La Epoca, 1988).

[35] Of the Monday Club's seven regular members, five were top executives of the Edwards conglomerate and two were from the BHC conglomerate. Of the Brick's ten regular members, three each were at the Edwards and BHC conglomerates. The other four were Christian Democrat economists and former Central Bank officials during the Eduardo Frei administration (1964–70). The Christian Democrats participated in the Brick in a subordinate role because that was their position within the larger coup coalition. For their role in the breakdown of democracy, see Arturo Valenzuela, *The Breakdown of Democratic Regimes: Chile* (Baltimore: Johns Hopkins University Press, 1978).

neoclassical economics at the University of Chicago with Milton Friedman and Arnold Harberger—became important advisers in the Ministry of Economy and ODEPLAN.[42] These men had connections to both the internationalist conglomerates (BHC) and the more traditional ones (Edwards). Meanwhile, Christian Democratic technocrats, who also favored gradualism, were appointed to the Central Bank and the Budget Office. Most of these radical Chicago Boy and Christian Democrat appointees had participated in the Brick.

Not all leading appointees had such close ties to conglomerates involved in the Monday Club and the Brick, although they too reinforced the dominance of the gradualist coalition in government. Raúl Sáez, for example, who headed the military government's economic advisory team after the coup, was respected in ISI business circles because he had been one of the first directors of the state's Development Corporation (CORFO). Aside from being a government holding company for many state enterprises, CORFO had also provided seed money for joint ventures between the public and private sectors, as well as credit for industrial development.

As a result of these networks, the leaders of the business and landowning associations—the outer, public, gradualist coalition—found at the highest level of government congenial counterparts with whom to exchange views on economic policy. According to prominent participants of that period, such as Orlando Sáenz (SFF) and Manuel Valdés (CPC), major policy disagreements between big business and government officials did not for the most part exist.[43] Moreover, the ministries were very receptive to businessmen who sought to iron out small differences or to gain some advantage. Of course, this did not mean that differences over policy between the private and public sector were entirely absent. The privatization of textile firms, price liberalization, and financial sector reform produced friction at times. Moreover, complaints mounted as the Chicago Boys gained control over the economic policy-making apparatus and more business groups found themselves excluded.

From Gradual to Radical Neoliberal Adjustment, 1975–82

The gradualist period largely conformed to classical observations about authoritarianism in Latin America. On the one hand, some of the major groups that supported the coup—the middle classes and small and

[42] For a study of the origins and networks of the Chicago Boys, see Juan Gabriel Valdés, *La escuela de los Chicago: Operación Chile* (The Chicago school: Operation Chile) (Buenos Aires: Grupo Editorial Zeta, 1989).

[43] Author interviews with Orlando Saenz and Manuel Valdés, Santiago, Chile, September 17, 1988, and March 21, 1989.

medium-size business—found to their dismay that government policy ignored their interests.[44] On the other hand, large-scale capitalists and landowners managed to reach an accommodation over economic policy. This behavior of the upper classes corresponded to well-established interpretations of intersectoral relations in Latin America.[45] Those theories held that the patterns of Latin American economic, social, and political development led economic elites to settle their differences in a cooperative rather than a conflictive way. Analysts concluded that the lack of conflict among upper-class social groups, for example, between landowners and industrialists, was partially responsible for the region's underdevelopment. The bourgeoisie refused to play its historical transformative role.

However, the initial accommodation among large-scale capitalists and landowners did not last long. A lack of cohesiveness in the gradualist coalition contributed to the abrupt end of gradual adjustment in mid-1975. Between 1974 and 1978 Chilean capitalists and landowners—contrary to the expectation of the theories discussed above—behaved in a most unaccommodative fashion. The radical internationalist groups (who had been marginalized in 1973) challenged the more moderate elements of the gradualist coalition and won. They supported the twin underpinnings of what was to become the radical neoliberal experiment: drastic deflation and rapid economic transformation via sharp reductions in protection for industry.[46] The new policy was radical in the speed and thoroughness with which stabilization and market liberalization policies were applied, both in relation to the preceding period and in comparison with similar cases in Argentina and Uruguay. It was also radical in the degree of its insensitivity to adversely affected economic sectors, including many capitalists and landowners.

The key question for this period was, what conditions allowed powerful but heretofore marginalized capitalist groups to dominate economic policy-making? Changes in two major power sources—economic and state institutional—as well as the network of relations between them, opened a window of opportunity for the radical internationalists. In other words, deepening authoritarianism had a profound influence on

[44] Guillermo O'Donnell, "Tensions in the Bureaucratic-Authoritarian State and the Question of Democracy," in David Collier, ed., *The New Authoritarianism in Latin America* (Princeton: Princeton University Press, 1979).

[45] For this view of upper-class behavior, see Charles H. Anderson, *Politics and Economic Change in Latin America* (New York: D. Van Nostrand, 1967); Schmitter (fn. 16); and Maurice Zeitlin and Richard E. Ratcliff, *Landlords and Capitalists: The Dominant Class of Chile* (Princeton: Princeton University Press, 1988).

[46] For those policies, see Edwards and Edwards (fn. 4). This cite and also Foxley (fn. 1) and Ramos (fn. 4) describe the overall economic consequences of each set of reforms.

coalitional shifts. Nevertheless, to understand the content of the policies that followed, it is necessary to examine the composition of a narrow but powerful coalition that not only supported them but also aided technocrats in their design. The fact that radical neoliberal policies did not survive the collapse of those groups underscores their significance, especially since the characteristics of the political regime that spawned them remained constant. By the same token, interpretations that focus on the learning ability of technocrats are also inadequate. They do not take into account the political significance of either the personnel changes that followed or the intense struggle for influence on the part of groups that had advocated more radical measures since the late 1960s.

International and domestic factors combined to strengthen and embolden radical internationalists because they increased their economic and political sources of power. Two external factors greatly favored them. One was a shift in the source of foreign savings for investment from multilateral institutions to private commercial banks.[47] The other was the appearance of petrodollars and the beginning of a period of great international liquidity. These factors gave the radical international conglomerates an enormous advantage. They had privileged access to international banking at a time in which Chile was starved for foreign exchange—its reserves were dangerously low—and the country was in a severe credit crunch.[48] Moreover, ISI industrialists, the ones most interested in maintaining gradual adjustment to a more open economy, by and large did not have the same access. In other words, the radical internationalists were in a better position to contribute to foreign exchange reserves; thus, because of their contribution to economic stability, they were more attractive to the military.

These international economic conditions, while important, were nevertheless too diffuse to explain the extraordinary triumph of radical internationalists. Past policies—specifically Unidad Popular's relatively widespread nationalization of large-scale business and banking—had weakened ISI industrialists greatly. This opened the way for a reorganization of capital that was quite distinct from similar cases.[49] After the

[47] Stephany Griffith-Jones and Osvaldo Sunkel, *La crisis de la deuda y del desarrollo en América Latina: El fin de una ilusión* (The Latin American debt crisis: End of an illusion) (Buenos Aires: Grupo Editor Latinoamericano, 1987).

[48] Company annual reports of key financial institutions revealed that key officers had been employed by Citibank in Chile. The concentration of financial intermediation of foreign loans is a testimony to their privileged position. See Fernando Dahse, *El mapa de la extrema riqueza* (The map of extreme wealth) (Santiago: Editorial Aconcagua, 1979).

[49] It could be argued that, compared with Argentina and Uruguay, nationalization and land reform under Allende set in motion uncharacteristically severe conflict among busi-

overthrow of Allende, the privatization of firms, a deep recession in 1975–76, and deregulation of the financial system allowed internationally connected financiers (key radical internationalists) to control leading Chilean firms inexpensively.[50] Hence, radical internationalists pushed harder for more draconian market liberalization because they saw it as an opportunity to increase their economic empires at the expense of other conglomerates that did not have access to international or scarce domestic savings. By the end of 1977 radical internationalists had built conglomerates that were concentrated in liquid-asset sectors; about a fifth of their other activities were in internationally competitive manufactures for domestic markets. These internationalist conglomerates soon overshadowed the economic groups that had supported gradualism.

The radical internationalist conglomerates of key importance to policy-making during this period were the Cruzat-Larraín and BHC economic groups.[51] In 1974, of Cruzat-Larraín's eleven firms, roughly two-thirds were in the financial or primary product export sectors; and a quarter were in externally competitive domestic-market-oriented firms. The rest were in noninternationally competitive manufactures. By 1977 both BHC and Cruzat-Larraín had amassed control of over twice as many firms as their closest competitors (sixty-two and eighty-five, respectively). In each, two-thirds of those companies were in financial and internationally oriented activities—one-third in finance and the other third in primary product export industries and international commerce. Approximately one-fifth of the remaining companies were in internationally competitive manufactures for domestic markets. Moreover, during this period the Edwards group shifted its composition to one that conformed more closely to the characteristics of internationalist conglomerates. By the end of 1977 almost three-quarters of its thirty-four companies were in liquid-asset sectors, and the rest were in internationally competitive domestic-market-oriented industries. None were in noncompetitive ar-

nessmen and landowners in authoritarian Chile. The other cases lacked that experience, and their economic openings were more shallow and less sustained.

[50] For an account of this process, see Dahse (fn. 48); and Andrés Sanfuentes, "Los grupos económicos: Control y políticas," *Estudios Cieplan* 15 (1984). Moreover, when financial sector reform was on the policy agenda, the radical Chicago Boys who controlled the Central Bank had close business ties to the internationalist conglomerates. They invited executives from those conglomerates to participate in the discussions. These data are from a personal interview with Juan Villarzú, budget director at the time, and Banco Central de Chile, *Estudios monetarios III: Seminario de mercados de capitales* (Monetary studies III: Seminar on capital markets) (Santiago: n.p., 1974). For a description of how the Chicago Boys took over key offices from more moderate persons, see Verónica Montecinos, "Economics and Power: Chilean Economists in Government, 1958-1985" (Ph.d. diss., University of Pittsburgh, 1988); and Fontaine Aldunate (fn. 34).

[51] The Cruzat-Larraín conglomerate was born of a split in the BHC in 1974.

eas. In the process, the Edwards group forged close business ties with Cruzat-Larraín, and in early 1975 it began to support radical neoliberal policies in editorials of the conservative newspaper *El Mercurio*, an Edwards group daily.[52]

The comparative economic weakness of ISI industrialists emboldened radical internationalists operating in a context of growing economic opportunity to confront the gradualists as early as mid-1974. Nevertheless, the extremists' economic strength did not suffice to ensure victory. Parallel changes in state organization opened up chances for the establishment of new networks between economic and state power sources.

Between 1974 and 1978 General Pinochet gained ascendancy within the military junta and personalized his power. As his star rose, he formed increasingly tight links with the Chicago Boys.[53] The Chicago Boys, however, were not just a castelike group of neoliberal technocrats as they are often portrayed. Many of the key figures had close ties to ever more powerful radical internationalist conglomerates that were gaining coherence through their corporate acquisitions strategies. By embracing the Chicago Boys, Pinochet formed an alliance with ideologues and conglomerates that controlled the most dynamic sectors of the economy; as a result they were able to sustain radical neoliberal policies.

The internationalist conglomerates' first victory came in April 1975, with the appointment of Sergio de Castro to the Ministry of Economy, Pablo Baraona as president of the Central Bank, and Francisco Soza as vice president of CORFO. All had close business and/or personal ties to either the Cruzat-Larraín or the BHC internationalist conglomerates. De Castro was an intimate friend of Manuel Cruzat, one of the two major figures of the Cruzat-Larraín economic group.[54] By the same token, Soza and Baraona were also on the board of directors of prominent Cruzat-Larraín companies. Cauas, who continued as minister of finance and sponsored drastic deflation, became the president of leading Cruzat-Larraín-controlled financial institutions and served on the board of directors of many Cruzat-Larraín companies.

These linkages gave the top directors of the radical international con-

[52] To give another perspective on the importance of these conglomerates, they controlled the lion's share of the financial system (and therefore of international financial intermediation), as well as a high proportion of the assets of the 250 largest Chilean companies. For example, by the end of 1977 the BHC group alone controlled 38% of private sector banking in Chile; Cruzat-Larraín, 2%; and Edwards, 7%. Moreover, of the total assets of Chile's largest 250 companies (about U.S. $3.8 billion) Cruzat-Larraín alone controlled 25%, BHC 13%, and Edwards 3%.

[53] For Pinochet's rise to power, see Valenzuela (fn.2).

[54] Many interviewees, such as Orlando Sáenz, Juan Villarzú, and Andrés Sanfuentes, mentioned this fact.

glomerates, especially Cruzat-Larraín, privileged access to policymakers. As one key participant during this period confided, this group of influential businessmen often discussed the fine points of policy reform with the policymakers, and when the dwindling nonradical internationalist members of the government's economic team objected to their presence, the Chicago Boys shrugged off their protests.[55] These businessmen not only helped to formulate policy but also played a vital role in the process of policy implementation. They had an aggressive strategy of corporate expansion and quickly rationalized their holdings in manufactures for domestic markets in order to make them more competitive with imports. Their actions promoted a rapid-growth sector for the Chilean economy, to which the authorities could point in order to blunt critiques of their policies.[56]

Radical neoliberal policies followed quickly on the heels of those new appointments. Drastic deflation, an acceleration of tariff reductions, and rapid privatization began in the period April through July 1975. As more Chicago Boys and their sympathizers gained high office in the next years, and as the internationalist conglomerates expanded, more neoliberal policies followed. For example, in 1976 de Castro and Baraona became ministers of finance and economy, respectively. The new president and vice president of the Central Bank, Alvaro Bardón and Sergio de la Cuadra, were also radical Chicago Boys with business connections to the inter-ational financial community. In 1978 the new minister of agriculture, lfonso Marquez de la Plata, was also on the board of an important ruzat-Larraín group company. By 1979 Chile had a flat tariff rate of 0 percent (very low by Latin American standards) and a fixed exchange ate of thirty-nine pesos to the dollar.

Pinochet and the radical internationalists served each other well. The adical internationalists had been in sharp conflict with the moderate roups of the gradualist coalition since the 1960s.[57] Radical internationalists needed Pinochet in order to impose their extreme neoliberal polices. By the same token, Pinochet needed the radicals to consolidate his ower. They opposed a significant sector of the industrial bourgeoisie nd the landowning class that favored either a relatively rapid return to lemocracy or the creation of a corporatist political regime to replace the

[55] Author interview with Juan Villarzú, budget director, 1974–75, Santiago, Chile, December 12, 1988.

[56] Author interview with Andrés Sanfuentes, an early civilian economic adviser to the military government, Santiago, Chile, March 12, 1989.

[57] The first big public outburst of this conflict occurred during Jorge Alessandri's 1970 residential campaign. Sergio de Castro, a campaign adviser, wanted to develop a radical eoliberal economic platform. Cooler heads prevailed.

personalist dictatorship.[58] As a result of this symbiotic relationship, a tight network formed between the radical internationalists, with their increasing economic power (which offered the promise of economic growth), and Pinochet, with his expanding sources of political power. This network displaced the one that the gradualists had formed in 1973 with the broader military movement and junta. With the triumph of the highly centralized authoritarian regime of Pinochet and the radical coalition, the Chicago Boys were able to impose their policy option and ignore pressure from business peak associations that defended the more gradual approach.

From Radical to Pragmatic Neoliberal Policies, 1983–88

In the previous two periods domestic, economic, and political crises had had a more immediate influence on the building and unraveling of capitalist coalitions than did changing international economic conditions, although the latter were not insignificant. In 1982 the situation reversed dramatically. An external economic shock was the main catalyst of the coalitional shifts that accompanied the replacement of radical neoliberalism with a more pragmatic neoliberalism between 1983 and 1988. The pragmatic neoliberal model tolerated reflationary policies, and economic restructuring was no longer carried out at the expense of the industrial sector.[59] In other words, pump priming and industrial policy became part of the policy package.

The fact that policy instruments in the pragmatic neoliberal period exhibited greater flexibility and nuance than in the radical neoliberal period led some to argue that this policy shift largely resulted from learning on the part of policymakers. Again, such assertions contain a grain of truth. But they underestimate the political significance of the fact that those policy refinements also responded to intense business pressure. Beginning in 1982 the CPC repeatedly demanded that the government negotiate policies with it along the lines of those associated with the pragmatic neoliberal approach, which state elites responded to later in 1983. Of course, some capitalist and landowning groups—those whose interests the radical neoliberal project had ignored—had been advocating pol-

[58] Author interview with O. Sáenz (SFF) and Guillermo Elton (CNC), Santiago, Chile, September 17, 1988, and March 13, 1989, respectively; Campero (fn. 1).

[59] For a further elaboration of the pragmatic neoliberal model, see Eduardo Silva, "The Political Economy of Chile's Regime Transition: From Radical to 'Pragmatic' Neoliberal Policies," in Drake and Jaksic (fn. 2). See also Laurence Whitehead, "The Adjustment Process in Chile: A Comparative Perspective," in Rosemary Thorp and Laurence Whitehead, eds., *Latin American Debt and the Adjustment Crisis* (Pittsburgh, Pa.: University of Pittsburgh Press, 1987).

icy reforms along the lines of pragmatic neoliberalism since the middle of the 1970s. The fact that state structure remained largely unchanged underscored the relevance of the coalition's efforts.

This section considers two questions. First, what was the role of external economic shocks in the unraveling of the dominant radical coalition and the formation of a rival pragmatic coalition? More than perhaps at any other time, Chilean businesses turned to their peak associations to forge an alternative economic program and to lobby the government to negotiate with them. In the process, they influenced institutional changes that broadened their access to the state, and thus they began to participate formally in economic policy-making. Second, how did the radical coalition's economic weakness, coupled with the threat of a broader interclass coalition between the pragmatic coalition and middle class, influence Pinochet's decision to abandon radical neoliberal policies? In other words, the pragmatic coalition shaped policy agendas but required political power to implement policy; Pinochet in turn needed the solid support of the upper class to remain in power.[60]

By 1980 high levels of international liquidity had drawn skeptical business and landowning groups to the extreme neoliberal coalition that had at its core the radical internationalist conglomerates. A flood of foreign savings during that period fed an economic boom that helped to sustain social groups excluded from the policy process. Easy credit allowed producers for domestic markets to overcome the negative effects of a 10 percent flat tariff rate. They borrowed to expand, diversify, or survive in an atmosphere of prosperity. As never before, the middle class borrowed cheap dollars and consumed goods and services that had been the preserve of upper classes.[61]

The international debt crisis of the early 1980s ripped asunder the broader coalition that radical internationalists had managed to form with most sectors of capital and landowners.[62] In 1982 the debt crisis contributed to a collapse of the Chilean financial system, the economy plunged as production stopped (GDP fell 14 percent), unemployment soared to over 25 percent.[63] The economic debacle had two immediate effects. First, the radical conglomerates that stood at the core of the coalition contributed

[60] For analyses that stress the importance of splits at the top in political change, see Skocpol (fn. 7); Douglas Chalmers and Craig Robinson, "Why Power Contenders Choose Liberalization," *International Studies Quarterly* 26, no. 1 (1982); O'Donnell (fn. 44).

[61] For an overview of these processes, see Foxley (fn. 1). Firm behavior was gleaned from personal interviews with executives and selected company annual reports.

[62] For the Latin American debt crisis, see Stallings and Kaufman (fn. 1); William L. Canak, ed., *Lost Promises: Debt, Austerity and Development in Latin America* (Boulder, Colo.: Westview Press, 1989).

[63] For the 1982–84 economic crisis, see Edwards and Edwards (fn. 4).

to the economic crisis but also fell victim to it. The directors of these economic groups led by financial institutions had built their empires on highly leveraged buyouts and were dependent on ample international liquidity for their operations. When the flow of foreign savings dried up they ran into cash-flow problems and raised interest rates to usurious levels in order to capture domestic savings. In January 1983, after cabinet shuffles and failed government attempts to lower interest rates, Minister of Finance Rolf Lüders placed the radical conglomerate's leading financial institutions in receivership or liquidated them.[64] Since many of the major firms and holding companies of those conglomerates could not meet their debt schedules the government wound up in control of them too, although it left their management in private hands. Second, the end of the foreign-debt-led boom demonstrated just how thin the ideological commitment to radical neoliberalism was among most upper-class elites. During the boom, business and landowning peak associations extolled the virtues of the radical free-market model.[65] Beset by economic hard times, however, and in the wake of the collapse of the radical conglomerates, the peak associations—under the umbrella of the Confederation of Production and Commerce (CPC)—began to develop an alternative economic model.

By 1983 the business and landowning associations affiliated with the CPC had formed a cohesive pragmatic neoliberal coalition and formulated a detailed and highly publicized economic recovery program.[66] The pragmatic coalition supported high real exchange rates, low across-the-board tariffs with protection against unfair competition, a reflationary monetary policy, low interest rates, debt relief, sectoral policies (such as export promotion, construction projects, agricultural development), and a more inclusive, institutionalized policy-making process.

Explicit bargaining between sectoral peak associations cemented the pragmatic neoliberal coalition. Businessmen and landowners with internationalist economic interests dominated the new alliance. They were not radical neoliberals, however, because they had a heavier concentration in extractive industries for export (logging, fishing, mining) rather than liquid assets. The coalition also included industrialists producing

[64] Sergio de la Cuadra and Salvador Valdés, "Myths and Facts about Instability in Financial Liberalization in Chile, 1974–1983," in Philip L. Brock, ed., *If Texas Were Chile: A Primer on Banking Reform* (San Francisco: ICS Press, 1992).

[65] The annual reports of the SFF, SNA, and CNC and SFF/SNA publications such as *Informativo SFF* and *El Campesino* were remarkably uncritical between 1979 and 1981.

[66] Confederación de la Producción y Comercio, "Recuperación económica: Análisis y proposiones" (Economic recovery: Analysis and policy proposals) (Santiago de Chile, July 1983), and related documents presented by member associations. For its genesis, see Campero (fn. 1).

for domestic markets (who had regained control of the SFF) in a subordinate position. As a result, internationalists in commerce (CNC), mining (SONAMI), and finance (Asociación de Bancos e Instituciones Financieras, ABIF), and landowners (SNA) and the SFF all supported high real exchange rates—they encouraged exports and discouraged imports. Likewise, all wanted low interest rates, debt relief, and changes in the policy-making process. In addition, the SFF had demanded differentiated tariff schedules with a maximum of 35 percent ad valorem. But once again it was outvoted in the CPC by the internationalists and the SNA, who wanted to keep low (15–20 percent) across-the-board rates.[67] As in the past, the SFF had no coalitional partners and thus had to content itself with protection against unfair competition. In other words, because "fixed-asset internationalists" dominated the coalition, it was not opposed to some sectoral policies, especially in credit and taxation, but in principle it preferred sectorally neutral policies and an open economy.

In 1983 Pinochet, relying on the great centralization of power in the Chilean state, only grudgingly gave in to some of the demands of the pragmatic coalition. He acquiesced to minor concessions, hoping that the proper mix would split the new alliance.[68] Between 1984 and 1985, however, the government adopted the core of the CPC's economic program, and between 1985 and 1988, it addressed additional elements. Where discrepancies existed in targets, they may be put down to the fact that the program had been a platform for negotiation with the regime, not an ultimatum for capitulation. What accounted for this change?

Pinochet might largely have continued to ignore the pragmatic coalition had it not been for escalating political protest against his rule by middle- and lower-class sectors and their allies in the political parties. In other words, given the extraordinary concentration of power in Pinochet's hands, international factors and the rise of an alternative capitalist policy coalition were by themselves not sufficient to induce significant policy change. Capitalists alone posed little threat to his rule, but in tacit or explicit alliance with middle-class groups they might.

By the end of 1983 the largest opposition grouping had formed

[67] With respect to the tariff issue, the SFF designated a study commission in January–ebruary of 1982. It issued a recommendation in favor of differentiated tariffs in October; e SFF, "Informe final de la comisión SFF para estudiar una alternativa al sistema arancerio," October 20, 1982. In a March 22, 1982, memorandum that defined the business definition of the social market system, the CPC explicitly supported low, across-the-board tariffs. In November 1982 the SNA flatly declared itself against differentiated tariffs; see minutes of PC Executive Committee meeting no. 577, November 25, 1982. SONAMI had gone on record gainst such tariffs in August; see *Estrategia*, August 16–22, 1982. The finance and construction associations were at best ambivalent.

[68] This was the significance behind the Carlos Cáceres-Manuel Martín economic team.

Alianza Democrática (AD), a coalition of centrist and center-left parties dominated by Christian Democrats. Beginning in May 1983 they had begun staging monthly protests, emphasizing negotiation with the military and conservatives—but not Pinochet—to effect a rapid transition to democratic rule.[69] AD attempted to win over members of the pragmatic coalition—especially industrialists producing for domestic markets. It stressed respect for private property, a mixed economy with ample room for private enterprise, and industrialization.[70] Meanwhile, sectors of the pragmatic coalition, frustrated by the government's lack of response to their proposals, issued veiled threats that they might join the opposition.[71]

Pinochet responded with actions calculated to recapture the undivided loyalty of large-scale business and landowning interests, a tack that ushered in a yearlong period in which capitalists exercised their greatest degree of direct influence. In April 1984 he began by appointing ministers of finance and economy—Luís Escobar and Modesto Collados—who clearly represented the interests of the pragmatic coalition: internationalist concerns dominated, but domestic market interests were also included. Escobar was widely recognized in business circles as a person sympathetic to the CPC's economic recovery program; he had extensive ties to both international finance and Chilean manufacturers for domestic markets (through the Banco de Fomento de Valparaíso, a regional industrial development bank). He also had been the Chilean representative to the International Monetary Fund (IMF) and the World Bank. He favored an expansionary monetary policy, differentiated tariffs, and greater deficit spending. Meanwhile, Collados had been president of the Construction Chamber when the CPC elaborated its recovery program, and he was minister of public works prior to April 1984.[72] He supported

[69] For the composition and evolution of mass mobilization and its impact on the regime, see Manuel Antonio Garretón, *Reconstruir la política: Transición y consolidación democrática en Chile* (Reconstructing politics: The transition to democracy and its consolidation in Chile) (Santiago: Editorial Andante, 1987); and idem, "The Political Opposition and the Party System under the Military Regime," in Drake and Jaksic (fn. 2).

[70] For AD's essentially conciliatory economic policy stance, see Alejandro Foxley, "Algunas condiciones para una democratización estable: El Caso de Chile," *Estudios Cieplan*, no. 9 (1982); Cieplan, *Reconstrucción económica para la democracia* (Economic reconstruction for democracy) (Santiago: Editorial Aconcagua, 1983); and the Christian Democratic Party, *Proyecto Alternativo* (Alternative project) (Santiago: Editorial Aconcagua, 1984), esp. vol. 2.

[71] For example, when the CPC distributed its economic recovery plan to government ministers, the SFF cautioned that although the private sector did not wish to break with the government it might be forced into opposition (*Qué Pasa*, no. 639, July 7, 1983). In the same spirit, Jorge Fontaine, president of the CPC, declared that business only sought confrontation with governments when the survival of the free enterprise system was at stake. The authorities should recognize that adherence to orthodox deflation would lead to perdition (*Hoy*, no. 311, July 6, 1983).

[72] He was president of the Construction Chamber when the CPC developed its economic recovery program. As minister of public works, he had labored to implement a government

expansionary monetary policy and proposed the development of a ennial plan that emphasized construction and public works, protection agriculture, and a solution to the financial crisis. He opposed differiated tariffs.

The Escobar-Collados team extended the pragmatic coalition's netrk to the state and crowded the radicals out—at least at the top levels. e continuation of Jorge Prado in agriculture and Samuel Lira in min-further bolstered the new coalition's political power. Prado, vice sident of the SNA at the time of his appointment, had primary interests agricultural exports and secondary investments in agricultural protion for domestic markets. Lira was a prominent member of the neowner's association, SONAMI.

Furthermore, Escobar and Collados modified the policy process in ys that reinforced the nexus between ministers of state and the pragtic coalition. The business peak associations' access to policymakers l participation in policy-making became more routinized.[73] To begin h, Collados included them in the formulation of his triennial plan as integral part of the program's sectoral commissions. This allowed the ık associations to work with government officials in turning the secal proposals of the CPC's economic recovery program into state policy.[74]

Collados opened up a second avenue of participation in May 1984, the ial and Economic Council (SEC). An advisory body to the president nochet), the SEC brought together representatives of the private, pub-and labor sectors to discuss policy recommendations and demands. economic commissions—dominated by business peak association ders—gave private sector representatives of the pragmatic coalition other vehicle of participation in the policy-making process.[75]

Unfortunately, the new economic team also mirrored the pragmatic lition's tensions, and that proved to be Escobar's unmaking. He sup-ted the SFF's position on a differentiated tariff schedule, which led n into a direct conflict with Collados and the dominant sector of the gmatic coalition. Pinochet sided with Collados. When Escobar tried

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struction program that the Construction Chamber had elaborated in 1983. Author interv with Pablo Araya, director of research, Cámara Chilena de Construcción (CchC), Sano, Chile, May 3, 1989.

Author interview with Manuel Valdés, president of the SNA, Santiago, Chile, May 3, 9.

Author interview with Pablo Araya, Chilean Construction Chamber, Santiago, Chile, y 3, 1989.

Augusto Z. Lecaros, "Representación de los intereses de la sociedad en el estado y los sejos económicos y sociales" (Interest-group representation in the state and the social and nomic councils) (M.A. thesis, Instituto de Ciencia Política, Pontificia Universidad Cató-, 1989). Author interview with Beltrán Urenda, chairman of the CES, Santiago, Chile, May 1989.

to raise tariffs selectively through other means, Pinochet dismissed him, in February 1985.

Nevertheless, the ministers that followed Escobar and eventually Collados maintained the network between the pragmatic coalition and state institutions. Ironically, some appointments, such as that of Hernán Büchi in finance, may even have strengthened it.[76] The pragmatic coalition had suffered its worst tensions when the ministers of finance and economy reproduced the strains between its dominant and subordinate faction over the trade issue. Büchi, by contrast, was a neutral figure. He appeared to have no direct private economic interests, was a career bureaucrat under Pinochet, favored internationalist groups yet did not dismiss domestic-market producers. His appointment, then, represented a balance of the interests in the pragmatic coalition and helped to soothe its rivalries. Thus, although Büchi had a more arm's-length relationship with business interests, and although the latter's direct influence at the highest level diminished as a result, his appointment kept capitalists from going at each other and helped them focus their energies on negotiating the remaining elements of their common agenda.

Meanwhile, ministers in subordinate economic cabinet positions continued to reflect the composition of the pragmatic coalition. They were businessmen with major international economic interests who also had a substantial stake in domestic market production. Thus, their economic interests replicated the balance between the pragmatic coalition's two major factions. Prado and Lira remained in charge of the Ministries of Agriculture and Mining. Juan Délano, who replaced Collados in the Ministry of Economy, had been vice president of the national chamber of commerce at the time of his appointment. He had supported low, across-the-board tariffs but was not against selective protection for industry against unfair competition.

Between 1985 and 1988 further changes in the policy-making process expanded and institutionalized the pragmatic coalition's links to state economic policy-making institutions. In early 1986 Délano created standing National Commissions for Commerce and Industry within the Ministry of Economy. They gave the CPC and its member associations a place on government policy-making working groups.[77] Business and landown-

[76] Author interview with Efraín Friedman, SFF, Santiago, Chile, November 16, 1988.

[77] Author interviews, all conducted in Santiago, Chile, with Gustavo Ramdohr, president of the Nontraditional Exporters' Association (ASEXMA), August 25, 1988; Manuel Valdés, president of the SNA, March 21, 1989; Efraín Friedman, SFF, November 16, 1988; Lee Ward, ministry of economy, director of the National Commission for External Commerce, December 13, 1988; minutes of the meetings of the Commission's Subcommission for Drawback Legislation, a subcommission of the National Commission for External Commerce.

ing peak associations also gained increasing access to the junta's legislative commissions. The Constitution of 1980 had created the legislative commissions in order to establish a "legislative process" for the transition to a protected democracy. "Legislative bills" circulated among peak associations, which then had ample time to make observations and amendments—in a word, to lobby. Business leaders, as well as junta members, could introduce "legislation."[78]

These networks allowed the pragmatic coalition to consolidate its gains and influence policy formulation in two additional areas between 1985 and 1988. To begin with, the SFF, which had long wanted a policy of export promotion for industry, finally received it.[79] Second, all coalition members demanded rapid privatization of firms that the government had taken over when it placed bankrupt financial firms in receivership. Privatization began slowly in 1985 and steadily picked up pace over the next three years.[80] From the perspective of the pragmatic coalition, the process had the virtue of strengthening its economic base because of the way it concentrated assets in surviving conglomerates. Although export sectors tended to dominate, most of these conglomerates also had a healthy component of their assets in the domestic-market sector.[81] Significantly, most of their assets were in profitable productive enterprises and not in the financial area.

Capitalist Coalitions, the State, and Neoliberal Restructuring: Conclusion

Most studies of neoliberal economic restructuring since the mid-1970s emphasized the importance of state autonomy in the policy-making process. However, the comparison across three policy periods in Pinochet's Chile—gradual, radical, and pragmatic adjustment—showed that shifting capitalist coalitions with varying power resources also played a vital

[78] Author interview with Jaime Alé, SFF director of planning, Santiago, Chile, September 27, 1988.

[79] Author interview with Lee Ward, director of the National Commission for External Commerce, and selected minutes of the meetings of the Subcommission for Drawback Legislation, Santiago, Chile, December 13, 1988.

[80] This was actually the second wave of privatization in Chile. The first one occurred between 1973 and 1980, and it involved the devolution of firms nationalized by Allende, as well as some historically state-owned firms. The second wave began slowly because of the lack of funds in the private sector to buy and because of the difficulty of disentangling debt and ownership issues. Many more historically state-owned firms were also spun off during this second period.

[81] Patricio Rozas, *El mapa de la extrema riqueza: 10 años después* (The map of extreme wealth: Ten years later) (Santiago: Ediciones Chile-América, 1989). Angelini, Matte, and Menéndez were among the most prominent of these conglomerates.

role. They provided policymakers with crucial support, and in each period the representatives of distinct capitalist and landowning coalitions helped to shape policy agendas and influenced policy formulation. In part, that was because market-based economic development strategies made state elites more attentive to the demands of dominant capitalist factions, probably because neoliberalism gives capitalists significant control over investment. The role of state structure and international factors in the shaping of coalitions and their power resources could not be ignored, however. Thus, fuller explanations of cases such as Chile's require analytical frameworks that address the question of how and when coalitional, state structural, and external factors affect outcome. A synthesis of the work of Haggard, Gourevitch, and Frieden offered a useful starting point.

By comparing the three policy periods, this summary conclusion addresses the issue of which factor mattered when in the shaping of Chilean capitalist policy coalitions. In general, authoritarianism determined the exclusion of all but the top economic elite in the policy-making process, and it affected the dynamic of intracapitalist conflict as various factions vied to shape the direction and pace of economic change in Chile. They proposed policies, formed coalitions, and negotiated with policymakers both directly and through their business associations. International capital flows influenced which capitalist faction dominated, and because it was the group most likely to deliver economic growth, it was the one state elites paid attention to.

The impact of authoritarianism on intracapitalist conflict was perhaps clearest during the short-lived gradualist policy period (1974–75). Military rule robbed internationally uncompetitive industrialists of the conditions that had allowed them to block attempts to open Chile to international trade in the 1960s. They could no longer rely on former coalitional partners (albeit indirect ones), and the collapse of democracy divested them of the institutional levers of pressure that they had used in the past. The policy coalition that emerged advocated gradual rather than swift change because, overall, fixed-asset producers were the most important actors and they had difficulty with rapid economic adjustment. Internationally competitive industrial producers for domestic markets (particularly in the SFF) dominated the gradualist coalition within an alliance that included the representatives of business sectors that had traditionally opposed excessively high tariffs under ISI: fixed-asset producers for international markets (mineowners, fruit producers), large-scale merchants, and the bulk of landowners, who, although they were not internationally competitive, resented ISI's investment bias against

their sector. Thus, while advocating tariff reduction, the latter also sought and received protection in the form of price floors for their products.

During the gradualist period there had been no significant or sharp shift in international capital flows; as a result, this article did not discuss them. However, although petrodollar recycling and the attendant increase in international liquidity had yet to emerge, the oil price shocks had not gone unnoticed. Thus, as a background variable higher energy bills threatened to increase foreign-exchange needs that could not be met solely through import substitution. This structural change probably strengthened internationally competitive fixed-asset producers for domestic and international markets. They provided a mixture of import substitution with increased exports. As far as the junta was concerned, in the absence of significant changes in the international economy, gradualism probably offered the best road to recovery from what then seemed to be largely a severe domestic economic crisis.[82]

During the radical neoliberal policy period (1975–82), sharply expanded international liquidity turned internationally oriented liquid-asset holders, the proponents of rapid economic adjustment, into the dominant capitalist faction. Continued centralization of authoritarian rule—from the junta to Pinochet—made it possible for this narrow constellation of business interests to play an important policy-making role, to the virtual exclusion of other capitalists. They offered Pinochet the dual promise of investment and economic growth along with unconditional political support for his one-man rule. He abandoned them after a wrenching external shock—the drying up of international liquidity—destroyed the conglomerates that most fervently supported radical neoliberalism.

The pragmatic neoliberal policy period (1983–88) brought into sharp relief the fact that state structure was a necessary but not determinant condition in shaping policy coalitions and outcomes. Within the confines of the same personalist political regime, the much broader pragmatic

[82] It must also be recognized that the gradualist coalition had its origins in the broad coalition of upper- and middle-class interests that allied against Salvador Allende. Since their efforts had partially spurred the military to action, it seems logical that the junta relied on them for their policy proposals, at least initially. It was, after all, supposed to be a government of national reconciliation. In this context, the Brick represented a planning tool inspired by neoliberals but tempered by negotiation with other sectors. It set guidelines for a market economy, but the pace and extent of structural transformation was not spelled out. According to my interviews with businesspeople who lost out to the radical neoliberals, intraelite conflict turned precisely on those issues. See also Centro de Estudios Públicos, *"El Ladrillo": Bases de la política económica del gobierno militar chileno* ("The Brick": The bases of the Chilean military government's political economy) (Santiago: Centro de Estudios Públicos, 1992).

neoliberal coalition influenced a change to more nuanced neoliberal policies. External shocks, which had elevated and brought down radical neoliberals, once again played a key role in coalition formation. The debt crisis required Chile to increase foreign exchange earnings, necessarily accomplished through a mixture of expanded exports and import substitution. In general, this meant that the absence of credit to fuel economic growth led by financial speculation strengthened fixed-asset holders over liquid-asset holders. Moreover, given the overriding need to expand exports to secure new sources of foreign exchange, fixed-asset producers for international markets constituted the dominant faction of capital. They helped to shape macroeconomic and sectoral policies that emphasized recovery and investment in the corresponding industrial, extractive, and agricultural sectors. These upper-class elites, however, also allied with fixed-asset producers for domestic markets who, although occupying a subordinate position in the coalition, were important for three reasons. They saved foreign exchange, played a significant role in employment, and increased the pressure on Pinochet and his ministers. As a result, some policies gave incentives and protection for their economic sectors too, especially for agriculture. Again, according to available evidence, in the interests of political survival Pinochet turned to dominant business factions—the ones most likely to spur economic growth—for support and the reestablishment of order.

In addition to uncovering capitalist policy coalitions and the conditions that led to their formation, this article explored methods to establish the means by which coalition members at least partially translated their demands and preferences into policy. It examined how privileged networks between the private and public sector facilitated the participation of top business elites in the policy-making process. Here, the analysis clearly adopted a more instrumentalist approach to the relationship between state and society.

From a more comparative perspective, the general analytical framework applied in this case study suggests that if Brazil, Argentina, and Uruguay had less success with economic restructuring in the late 1970s and the 1980s, it was because they had less support from capitalist elites. Comparative efforts should take into account the characteristics of those coalitions, including their cohesiveness, and how international and domestic institutional factors shape their relative strengths. The Chilean experience also shows that a return to a more democratic form of government does not in and of itself call neoliberal restructuring into question. Both Chile's pragmatic neoliberal coalition and most of the general

licies it supported survived the transition to democracy.[83] This implies ıt the problem in other countries may well be that they lack the equiv- nt of Chile's pragmatic coalition, an alliance that was the result of an ›licit bargain between capitalist and landowning groups over the ms of economic restructuring.

Eduardo Silva, "Capitalist Regime Loyalties and Redemocratization ın Chile," *Journal ıteramerican Studies and World Affairs* 34 (Winter 1992).

Review Articles

WRITING THE INTIFADA
Collective Action in the Occupied Territories

By IAN S. LUSTICK*

Rex Brynen, ed. *Echoes of the Intifada: Regional Repercussions of the Palestinian-Israeli Conflict*. Boulder, Colo.: Westview Press, 1991, 314 pp.
Joost R. Hiltermann. *Behind the Intifada: Labor and Women's Movement in the Occupied Territories.* Princeton: Princeton University Press, 1991, 265 pp.
Michael C. Hudson, ed. *The Palestinians: New Directions*. Washington, D.C.: Center for Contemporary Arab Studies, 1990, 268 pp.
F. Robert Hunter. *The Palestinian Uprising: A War by Other Means*. Berkeley: University of California Press, 1991, 292 pp.
Zachary Lockman and Joel Beinin, eds. *Intifada: The Palestinian Uprising against Israeli Occupation*. Boston: South End Press, 1989, 423 pp.
David McDowall. *Palestine and Israel: The Uprising and Beyond.* Berkeley: University of California Press, 1989, 322 pp.
Jamal R. Nassar and Roger Heacock, eds. *Intifada: Palestine at the Crossroads.* New York: Praeger, 1990, 347 pp.
Don Peretz. *Intifada: The Palestinian Uprising*. Boulder, Colo.: Westview Press, 1990, 246 pp.
Zeev Schiff and Ehud Ya'ari. *Intifada: The Palestinian Uprising, Israel's Third Front*. New York: Simon and Schuster, 1990, 352 pp.

THE Palestinian intifada (uprising) began on December 9, 1987, as a series of confrontations between Israeli soldiers and crowds of angry Palestinians. To the amazement of almost everyone, these clashes led to the most prolonged episode of militant Palestinian oppositionism in the hundred-year history of Zionist-Arab relations in Palestine/the Land of Israel. Indeed, almost five years later, in October 1992, the Israeli chief of staff warned his countrymen that the uprising had still not ended.

From the beginning of its occupation of the West Bank and Gaza Strip in 1967, Israel outlawed almost all forms of political activity by the Arab inhabitants of those areas. It was therefore not at all uncommon for Palestinians protesting various aspects of the occupation to meet with

* I would like to thank Jerrold Green for his comments on a preliminary version of this article.

violent responses from Israeli troops. Customarily these outbursts died down after the army opened fire; in December 1987, however, the crowds did not disperse after the army began to shoot. Instead, the demonstrations expanded, drawing such large numbers of protestors into the streets that Israeli units were overwhelmed.

Within weeks there emerged a clandestine coordinating committee that helped sustain an uninterrupted series of commercial and general strikes and mass demonstrations. In the first exhilarating months of the uprising, "liberated" zones were established within Palestinian villages, towns, and refugee camps. Israel's elaborate system of collaborators and informers was on the verge of almost total collapse. Israeli vehicles on roads in the occupied territories were subjected to constant harassment by youths throwing stones and Molotov cocktails. Despite dozens, then scores, then hundreds of Palestinians killed by Israeli soldiers, police, and settlers, and official policies of beatings, mass arrests, and collective punishment, the intifada continued. It was soon clear that a genuine civil rebellion was under way, unlike any other form of Palestinian resistance to the twenty-five-year-old occupation of the West Bank and Gaza Strip. The flow of Israeli settlers to the territories slowed to a trickle; and in some settlements houses were abandoned by residents who returned to the relative safety they associated with life within the borders of Israel proper.

In addition to being unprecedented in the Palestinian context itself, the intifada was also the first of many mass-based, illegal, nonviolent or semiviolent challenges to nondemocratic governing structures to burst upon the world scene at the end of the 1980s. Algeria and Jordan erupted in 1988. Mass mobilizations subsequently appeared in Burma, in the Baltic states, and in most East European countries in 1989, then in China, South Africa, Kenya, and in many of the constituent republics of the former Soviet Union. As a phenomenon they drew the attention of both the media and scholars to the brightening prospects for democratization and to the heroic nature of struggles by oppressed peoples rising up against the coercive power of states to demand political and economic rights. But although the Palestinians may have been first chronologically, and although their efforts were sustained over a longer period of time than were the "uprisings" in the other cases, the Palestinian struggle against the Israeli occupation has usually been omitted from media accounts of the worldwide trend toward "democratization" and from scholarly consideration of circumstances leading to such measured forms of revolutionary collective action.

In this essay I seek to respond to these omissions in two ways. First,

by assessing many available treatments of the intifada, I can trace the contours of the movement and identify both the questions asked in this substantial body of work and the range of answers offered. Second, by surveying recent developments in literatures whose organizing questions pertain to the etiology and dynamics of mass collective action, I can establish the degree to which the intifada is comparable to other contemporary mass movements for radical political change, which in turn will suggest how much the intifada, and the Israeli-Palestinian relationship in general, has to offer students of comparative politics. In the process I raise an often ignored methodological complication in the use of monographic materials to evaluate theoretical claims.

The Status Quo Ante

Two kinds of questions, corresponding to two different kinds of assumptions, can be asked about the occurrence of the intifada or of any other case of illegal mass political action. Reflecting beliefs about the likely stability of established authority structures, about the superficiality of the common political identity claimed by those who might be expected to revolt, or about the likely decisiveness of free-rider, cultural, or psychological barriers to the joint pursuit of shared interests, one type of question asks why such an upheaval should occur at all. If for these assumptions one substitutes expectations that identities claimed by masses of people are likely to be genuine and determinative and that their severe discontent cannot be easily contained, then the opposite question becomes salient: why such an upheaval should not have occurred earlier.

The studies and reports about the intifada reviewed here ask both questions, although the emphasis is clearly on the former. Why, ask most of these authors, in thousands of defiant encounters with Israeli troops, police, and settlers, did the Palestinians of the occupied territories suddenly demonstrate a willingness to endure substantial and prolonged punishment for the sake of ending the occupation? Although some authors do point to what they call an unappreciated series of precedents for sustained mass action and acceptance of high casualties by Palestinians in the territories, even they concede that no previous episode lasted more than four to six weeks, that none approached the intifada in the proportion of the population mobilized for political action, and that none elicited the scale of sacrifice associated with the uprising.

For years Palestinians in the Israeli-occupied West Bank and Gaza Strip were asked an uncomfortable, cruel, but not unreasonable question: if the occupation is so onerous and you are so discontented, if you

expect to achieve national liberation and a state of your own, then why have you not shown the same discipline and willingness to sacrifice that the Vietnamese, Cubans, Algerians, Iranians, Afghans, or even pre-1948 Zionists displayed in their respective struggles? It was a telling critique despite the undeniable fact that the Palestinians confronted a determined and well-equipped antagonist in topographical circumstances peculiarly unsuited to guerrilla warfare. Certainly, the PLO outside of Palestine did mount an armed struggle that produced long lists of martyrs, but many Palestinians on the inside, in the West Bank and Gaza, seemed either willing to let history have its way with them or particularly susceptible to the techniques of control exercised by the Israelis.

Virtually all analysts unconnected to the Israeli authorities have emphasized the injustices of the occupation, the active discontent of the Palestinians living in the West Bank and Gaza, and the uniformity of Palestinian aspirations for independence from Israel. Accordingly, no one has seriously argued that the relative quiescence of Palestinians under Israeli occupation was due to a convenient or manipulated consciousness among them that made Israeli rule appear more satisfactory than it would have otherwise. Israeli domination was domination without hegemony. Instead, most explanations for the limited nature of West Bank and Gaza Palestinian resistance stressed the impediments to guerrilla fighting in such open and small areas, Israel's enormously sophisticated apparatus of surveillance and punishment, and the corruption of traditional Palestinian elites.

Under these circumstances, for ten years at least, the carrot-and-stick occupation policy implemented by Israeli defense minister Dayan in 1967 was extraordinarily effective. After an initial wave of nationalist mobilization and some (failed) attempts at violent resistance, the inhabitants of the West Bank and Gaza Strip reached a modus vivendi with the Israeli occupation. Although politically active Palestinians were treated severely, no Palestinian was required publicly to support the legitimacy or continuation of Israeli rule. The great majority of Palestinians refrained from mass political action or armed mobilization and in return were allowed to make money by working in Israel, to maintain their social institutions, and to preserve their ties with Jordan and the rest of the Arab world via the "open bridges" policy over the Jordan River.[1] In the meantime Israel for its part refrained from advancing formal claims to sovereignty over the areas (apart from expanded East Jerusalem). It con-

[1] The "open bridges" policy describes the Israeli practice of allowing, subject to sometimes rigorous and discriminatory screening procedures, movement of people and goods across the bridges linking the West Bank and Jordan.

ducted its settlement and land expropriation policies discreetly and promised that the eventual peace would be based on an end to the occupation. Dayan's policies were enforced in the main, not by terror or direct physical coercion, but by threats—of imprisonment, deportation, housing demolitions, and bureaucratic harassment.

In accord with Dayan's objective of gradual, de facto, but permanent "incorporation" of the territories into an Israeli sphere of control, and in return for employment possibilities in Israel and opportunities for trade and travel across the Jordan River, the Arabs of the territories assumed a generally passive role. This seemed moreover to grant the PLO the leadership role it desired while also providing an excuse to let events on the ground take their course. In this context commercial strikes could be called to protest new restrictions or taxes, petitions and court appeals could be filed ad infinitum in protest against land expropriation and settlement practices, and innumerable appeals could be issued to foreign dignitaries or sympathetic Israelis, but no general strikes could be sustained, no period of violent or semiviolent protest could be maintained for more than a month or two, and no territories-wide, coordinated attempts to overcome Israeli repression were forthcoming.

Explaining the Intifada as a Revolutionary Episode

So what accounts for the intifada? Before examining answers that have been offered, some comments on the literature it has generated are in order. Most of what has been written about the intifada, including books reviewed here, has focused on documenting its character as a heroic, mass participatory, sustained, but mostly nonviolent (or only "semiviolent") rebellion. Most of these studies are written by Palestinians, by Arab, American, or European scholars sympathetic to the historic plight of the Palestinians, or by participant-observer journalists or anthropologists. Reading their work, particularly the contributions in the Lockman and Beinin and Nassar and Heacock volumes, it is easy to appreciate the tremendous surge of enthusiasm, excitement, and wonder that accompanied the first few months, or even most of the first year of the uprising. For the first time in twenty years of occupation the Israelis appeared to be on the defensive. The response of the political authorities and the army was confused and ineffective. The reversal of the David and Goliath template, with Palestinian youth now holding the slingshot, attracted enormous media attention and was as exhilarating to Palestinians and their friends as it was depressing and maddening to Israelis who did not sympathize with the Palestinian struggle. While *Les Miserables* was fill-

ing theater halls in Israel, offering audiences the vicarious thrill of justice demanded against all odds, Palestinians built their own barricades and savored the real thing.

Three kinds of leaders emerged within weeks of the initial outburst. In urban neighborhoods, villages, and refugee camps thousands of young men and women assumed day-to-day responsibility for organizing "popular committees" to deal with specific issues, such as food, health care, security, education, and protest activities. Out of public view there also emerged a central coordinating leadership that issued communiqués in the name of the Unified National Command of the Uprising (UNLU) and the PLO. These contained instructions and advice for sustaining the uprising, schedules for strike activities, hours when businesses were to be opened and closed, and themes and slogans to be emphasized on different days. The Unified Command was comprised of representatives of each of the four main nationalist factions in the territories (that is, it did not include representatives of Muslim fundamentalist groups). Many of its most active members managed to elude capture for many months, and for several years at least the Command was able to replenish its ranks. It operated on the basis of consensus and assumed responsibility for judging how much to ask of Palestinians in their daily confrontation with Israeli soldiers and settlers. It maintained regular contact with the PLO's external leadership via telephone lines and facsimile machines, but (for the most part) deferred to the PLO leadership on the outside for strategic, diplomatic, or political decisions.

The third type of Palestinian leader associated with the uprising included professors, journalists, and familiar political personalities who mediated between the clandestine UNLU, the PLO, and the international and Israeli media. These people, like Sari Nusseibeh, Faisal Husayni, Hanan Ashrawi, Ziad Abu Ziad, Fayez Abu-Rahmah, and Hana Siniora, associated themselves with the uprising and claimed to articulate the sentiments of both Palestinians in the territories and the PLO; they used their ties with American and European diplomats and their status as media stars to dissuade the Israeli authorities from imprisoning or deporting them for their role in the intifada.[2] Though sometimes referred to with some cynicism by streetwise activists as the "Mickey Mouse" leaders, these are the people who emerged after the first years of the intifada as the PLO's link to the Palestinian delegation in Madrid and as those mainly in charge of conducting continuing negotiations with Israel and the United States.

[2] Most of these individuals, however, were held in administrative detention for various periods of time.

In its scale, intensity, and duration, if not in its tactics, the campaig of protest, resistance, and disengagement that these three strata of leade were able to sustain was reminiscent of the Irish struggle against th British from 1919 to 1921. Between January 1919 and August 1921 Bri ish security forces killed 752 Irishmen and wounded 866. Five hundre and sixty soldiers and police were killed by the Irish during the sam period. The rate of Irish Catholic deaths was approximately 23 pe 100,000. With these figures in mind, one can appreciate the breadth c Palestinian mobilization, the massiveness of the repression exercised t contain it, as well as the distinctively nonlethal character of Palestinia actions against Israelis.

The total Arab population of the West Bank and Gaza Strip in 198 was approximately 1.7 million. From the beginning of the uprising in December 1987 to the end of February 1991, 787 Palestinians in these areas were killed by soldiers, police, and Israeli settlers. During that same period 349 Palestinians were killed by other Arabs, under conditions of general lawlessness or as suspected collaborators. The rate of Palestinian deaths (at the hands of Israelis) was 43 per 100,000 inhabitants—nearly double that for the Irish during the Anglo-Irish War. In September 1990 the Israeli Army released statistics showing that 13,100 Palestinians had been wounded in the first thousand days of the uprising (compared with 2,500 Israeli soldiers and 1,100 Israeli civilians).[3] Palestinian sources reported much higher Arab casualty levels, showing more than 100,000 serious injuries suffered by Palestinians during the first three years of the uprising.[4] In the region of Nablus, in the northern West Bank, it was reported that 5 percent of the total population (9,740 out of 200,000) had been hospitalized for wounds, although most injured Arabs were not hospitalized (Hunter, 207). In the first two years of the uprising the army demolished 350 Arab homes and arrested 60,000 Palestinians.[5] Sixty people were deported, and 40,000 were held in administrative detention, that is, without indictment or trial.[6] One Israeli lawyer estimated that about

[3] *Haaretz*, April 2, 1991; and *Maariv*, September 5, 1990. Between December 1987 and February 1991, twenty-six Israelis were killed by Palestinians. The Israeli human rights group, Btzelem, also reported that during this period eighty-five additional Arabs, including thirty babies, died shortly after exposure to tear gas. More recently Btzelem reported that after five years of the intifada a total of 923 Palestinians had been killed by the security forces (i.e., excluding those killed by settlers) and that 675 Palestinians had been killed by other Palestinians. Kol Yisrael (Radio Israel) broadcast, December 8, 1992, transcribed by *FBIS Daily Report: Near East and South Asia*, December 10, 1992, p. 31.

[4] See "The Human Costs of the Uprising," *Palestine Human Rights Campaign Newsletter* 11 (January 1991).

[5] *Davar*, October 31, 1989.

[6] As reported by the Israeli minister of justice, *Maariv*, November 17, 1989. In December 1991 the Israeli chief of staff reported that since the beginning of the uprising "nearly

percent of the Palestinian population passed through the military ırt system in the first years of the uprising (Hunter, 26). The economic ses sustained by the Palestinians in this short time were also substan- l. In 1989 Palestinian incomes were between one-half and one-third of ıat they had been two years earlier (Hunter, 195).

All the authors whose work is represented in these volumes agree that rticular events or developments acted as catalysts for the intifada, help- ; to explain its timing. To their credit, however, none contend that :h "accidental" factors can explain more than that. A number of pre- ıitating events figure prominently in these accounts: Palestinian dis- ɔointment at the failure of the 1987 Amman summit to attach a high ority to the predicament of Palestinians in the occupied territories; the piring success of the Popular Front for the Liberation of Palestine neral Command hang glider attack on an Israeli army base in the lilee; a bloody road accident in the Gaza Strip; Israeli attempts to nmandeer water resources in the Bethlehem area; and brutal behavior Druse border patrolmen in a large West Bank refugee camp. Again, 'se events are not put forth as explanations. Rather, their importance dentified only in relation to background developments or underlying ɔcesses whose effects created new conditions, conditions that then al- ved incidents such as these to have a radically different kind of effect the end of 1987 than similar events had had during the previous enty years of occupation.

Explanations for the intifada, for this sudden, sustained, revolutionary ›pression of Palestinian political militance, can be sorted into variations ı four overlapping themes:

—the intifada as an explosion caused by pent-up despair and humiliation

—the intifada as a strategic extension of the PLO's struggle to gain Palestinian national liberation

—the intifada as having sprung from and been modeled after grass-roots organizations active in the territories during the preceding decade

—the intifada as the reflection of changes in Israeli politics and policies toward the territories

The volume by Schiff and Ya'ari, Israel's veteran military and Arab ffairs journalists, was published before the others; the Hebrew version ppeared in early 1989. The first chapter (titled "The Surprise") de- ribes the technical and tactical errors made by then Defense Minister

ɔ,000" Palestinians had been held in various detention centers or prisons for intifada of- nses.

Yitzhak Rabin, and the failures committed by the security services and military intelligence, which the authors say allowed the disturbances to erupt and prevented them from being brought under control quickly. The purpose of this chapter, however, is not to provide the groundwork for an explanation of the intifada as an avoidable "accident." In fact the book concludes with an argument that conditions in the territories will require Israeli withdrawal and that such a move would serve Israel's national interests, including its security interests.

The purpose of this first chapter is instead to establish a rapport with Israeli readers. To put their controversial argument across, the authors need to avoid giving the impression of "vegetarianism" (Israeli slang for bleeding-heart attitudes toward Arabs). By offering the same sort of technical, tactical, and professional critiques leveled at the security establishment after the 1973 war and the Lebanon War, and by delivering harsh criticism of politicians (such as Yitzhak Rabin) identified with the antiannexationist side of the spectrum, they seek to earn the trust of Israeli readers as "professional," hardheaded, nonideological judges of Israeli interests. For similar reasons the authors are eager to demonstrate their "insider status" by explicitly citing their personal and confidential relations with Israeli military officers, the security services, the prison authorities, and the police. Indeed their primary source of information about participants in the intifada comes from classified reports by, and private interviews with, unnamed officers, operatives within various branches of the Israeli intelligence community, and Shin Bet (security service) interrogators.

Above all, Schiff and Ya'ari's explanation for the intifada emphasizes the cumulative rage of Palestinian refugees, workers, and farmers. In particular, they stress the unbearable conditions in Gaza refugee camps, the frightening new threats to divert some of what remained of the farmers' water resources to Israeli settlers, and, especially, the bitterness of Palestinians employed inside Israel at the routine humiliations inflicted upon them by soldiers, policemen, and border patrolmen. Even though they knew or cared little about the PLO or Palestinian nationalism, say Schiff and Ya'ari, once they witnessed a number of dramatic, horrifying, and/or inspiring confrontations between Israelis and Palestinians in 1986 and 1987, the Arab masses of the territories—villagers, refugees, and workers—could no longer contain their fury. When their rage erupted, it did so with such force and constancy, and in so many localities at roughly the same time, that the small Israeli units stationed in the territories lost their deterrent effect.

Schiff and Ya'ari credit the early organizers of the UNLU (most of

whom, they note, were deported) with courage, sophistication, and effectiveness. By contrast, they portray Arafat and the "outside" PLO as undeserving but jealous claimants to the mantle of Palestinian leadership—as individuals who claimed responsibility for a mass mobilization of Palestinian sentiment that they neither anticipated nor understood.

The other authors of these studies are more explicitly sympathetic to the goals of the intifada and the aspirations of Palestinians. While they would agree with Schiff and Ya'ari about the privations endured by Palestinians under Israeli occupation and about the dimensions of popular anger, most would reject as inadequate or pejorative the "volcano" theory of the intifada these two authors are said to present, a theory that attributes Palestinian mobilization to the kind of blind emotion usually associated with mobs or with primitive peoples, but not with disciplined and worthy national movements. Opponents of this explanation argue that it devalues Palestinian political action, Palestinian heroism, and the effectiveness and sophistication of Palestinian organization. They hold that reliance on overwhelming, determinative surges of emotion recapitulates analytically the same kind of error made by those who before the uprising had adopted the view of an irreversible juggernaut of Israeli annexation, thereby underestimating the autonomous importance of political and organizational factors.[7]

While stressing the unleashed rage of Palestinians as an underlying factor, almost all interpreters of the intifada characterize it as an unprecedentedly broad and sustained mobilization of the Palestinian masses in a direct, disciplined political struggle against Israelis. Since most observers agree that the degree of oppression and discontent in the occupied territories had long before the late-1980s reached a point capable of justifying the sacrifices necessary in such a struggle, explanations for the timing of the intifada, its character, its successes, and its failures resolve into explanations of how the Palestinians finally managed to develop organizational frameworks and mobilizational techniques to overcome Israeli repressive capacities.

The enthusiasm for the intifada of some of these writers is tempered somewhat by their obvious concern that its success might contribute to Israeli efforts to marginalize the PLO by substituting the problem of the West Bank and Gaza for the larger historical problem of Palestinian self-determination and the future of masses of Palestinians living in refugee camps in Lebanon, Jordan, Syria, and elsewhere. An argument devel-

[7] See Hiltermann, 174–76; Samir Abdallah Saleh, "The Effects of Israeli Occupation on the Economy of the West Bank and Gaza Strip," in Nassar and Heacock, 48; and Salim Tamari, "What the Uprising Means," in Lockman and Beinin, 134.

oped and emphasized by Helga Baumgarten and Ali Jarbawi in their contributions to the Nassar and Heacock volume, Rashid Khalidi in his contribution to the Lockman and Beinin volume, and by Don Peretz, that although the intifada was in some degree "spontaneous," it must be understood as the product of a partnership between inside and outside leadership cadres, all affiliated with the PLO or, more specifically, with the four major factions associated with it—Fatah, the Popular Front for the Liberation of Palestine (PFLP), the Democratic Front for the Liberation of Palestine (DFLP), and the Palestinian Communist Party. Without the nation-building work, organizational foundation, and political experience gained from twenty years of PLO activity, they contend, the Palestinians of the West Bank and Gaza would not have had the political maturity or the organizational density to sustain their struggle beyond an initial outburst.[8] Nor would the Palestinian people as a whole have been able to translate sacrifices on the ground into diplomatic achievements and international pressure on Israel. While Baumgarten goes so far as to suggest that the intifada was instigated according to a plan developed by Arafat, this is an extreme view and shades into an early Israeli interpretation of the uprising that most of these writers (including Baumgarten) reject out of hand, namely, that the intifada was the result of "outside agitation."[9]

The politically correct Palestinian position, advanced by most writers, runs as follows: The timing of the intifada was spontaneous, the result of circumstances on the ground in the West Bank and Gaza Strip. Its energy was drawn from the grass-roots level of Palestinian society. There is not and never was any real separation at all between intifada activists in the occupied territories and the "external" PLO leadership. The Pales-

[8] Helga Baumgarten, " 'Discontented People' and 'Outside Agitators': The PLO in the Palestinian Uprising," in Nassar and Heacock, pp. 207–26; Ali Jarbawi, "Palestinian Elites in the Occupied Territories: Stability and Change through the *Intifada*," in Nassar and Heacock, 287–305; Rashid Khalidi, "The Palestinian People: Twenty-two Years after 1967," in Lockman and Beinin, 113–26; Peretz, 87–90.

[9] Although both Israeli officials and experts fairly quickly abandoned early characterizations of the uprising as the transient result of the activities of a small number of inciters, much of the work that has been done on the intifada by Israeli Arabists (professional advisers and experts on Arab affairs often enjoying close ties to the government and the security services) does tend to ignore the populist base and cellular organization of the uprising, which were among its most salient features. Ironically, by focusing on the role of the external PLO leadership, these studies implicitly endorse a view of the PLO, led from the outside, as virtually the only mobilizational framework within the Palestinian community—a view substantially in tension with the official Israeli rejection of the PLO as the Palestinians' "sole legitimate representative" and its insistence on the separability of the problem of the inhabitants of the territories from that of Palestinians living outside Palestine. See especially contributions by Asher Susser, Bruce Maddy-Weitzman, and Matti Steinberg, in Gad Gilbar and Asher Susser, eds., *B'Ayn HaSichsuch: HaIntifada* (At the core of the conflict: The intifada) (Tel Aviv: Hakibbutz Hameuchad, 1992).

ne Liberation Organization, it is said, enjoyed the allegiance of Palesnians from all walks of life both "inside" (in the occupied territories) nd "outside" (in the Palestinian diaspora). On that basis, it was able to uild an organizational structure of resistance that empowered Palestinns to revolt, produced a united leadership on the ground to guide the volt, and then coordinated an international political and diplomatic impaign to exploit the new circumstances created by the intifada. Once unched, the tasks of leadership were divided between the UNLU (inuding representatives of each of the three main PLO factions and the alestinian Communist Party), which decided on tactics and schedules r protest activities, and the PLO leadership outside, which decided on olitical and diplomatic moves.

The intifada is thereby cast as but one stage in the long-standing Paltinian struggle for national liberation, not as the Palestinian revolution elf. A number of writers, however, even while paying lip service to the o's status as the "sole legitimate representative of the Palestinian peoe," analyze the cause of the intifada as associated with the PLO's failes—failure to cope with the real needs of the people under occupation, ilure to produce a plan capable of halting Israel's de facto incorporation the territories, and failure to maintain unity among its factions. An iintended result of these failures, these authors argue, was that Palesiians in the territories developed their own organized resistance to the cupation, which was more effective than anything the external leadship of the PLO had been able to devise or implement. These arguments e presented against a generally agreed-upon background narrative of e PLO's struggle, which in the context of this review must be made plicit.

Once Israel crushed PLO attempts in the first few years of the occupan to wage a Guevara-type guerrilla war in the territories, the organition cast about for ways to maintain its leadership position. The PLO as uncomfortable with communist efforts in the early 1970s to organize e Palestinian National Front (PNF), a semiclandestine umbrella orgazation coordinating political struggle within the territories with the plicit aim of creating an independent Palestinian state alongside of rael. Fearing that such initiatives might lead to a local leadership opating outside its control, the PLO gave the PNF only lukewarm support id was not displeased when it was uprooted by the Israelis. On the her hand, the PLO fully endorsed the Egyptian and Syrian war unched in October 1973 as a means of liberating captured Arab terriries. But that conflict, although it led to return of the Sinai to Egypt, ft Syria with only a small slice of the Golan and left the Palestinians

with nothing but an offer of Begin-style autonomy—that is, a fig leaf f
de facto annexation of the West Bank and Gaza by Israel.

The PLO's primary response to the Camp David Accords was strengthen its political and military base in Lebanon while joining wi Jordan and other Arab states to channel funds to its supporters in t territories. The state within a state in Lebanon was meant to shelter t military and civilian PLO organizations, while keeping at least the pri ciple of armed struggle alive. Financial contributions from the Ar states, delivered to Palestinians in the territories under the joint auspic of the PLO and Jordan, were calculated not only to increase local "stea fastness" against Israeli efforts to buy land and encourage large-scale er igration but also to prevent the emergence within the occupied territori of an alternative leadership with the prestige and resources to challen the PLO on the outside.

But the PLO suffered crippling blows when Israel invaded Lebano on a small scale in 1978 and on a much larger scale in 1982. The 19 war was an extended operation that penetrated all the way to Beirut ar destroyed the PLO's political, economic, administrative, and military ba in that country. Although the organization survived and continued enjoy the expressed loyalty of the overwhelming majority of Palestinian its forced relocation to Tunis was symbolic of its estrangement from tl daily life of Palestinians under Israeli occupation.

After the war the PLO was caught in an increasingly cruel dilemm The settlement and land expropriation policies of the Begin and the Shamir governments in the early 1980s aroused fear among West Ban and Gaza Arabs that permanent incorporation of the territories into Is rael would soon be an irreversible fact of life, setting the stage for Isra to push them out of Palestine entirely. This led to calls for drastic com promise, to "save what could be saved" before it was too late; if the PL accepted this logic, however, it would risk displacement by Jordan or b leaders from the territories with whom the Israelis would be more likel to negotiate. Furthermore, it would open itself to accusations of betraya by its core constituencies within the Palestinian diaspora who hoped fo a state in Palestine to which they might someday return. On the othe hand, if the PLO rejected pleas by West Bank and Gaza Palestinians fo more flexibility, it risked losing whatever chances for a negotiated solu tion still existed and alienating itself from the mass of Palestinians stil living in Palestine. Meanwhile, the PLO's rivalry with Jordan, corruption of many of its agents in the territories, factional disputes over politica strategy and the disbursement of funds, and increasingly stringent Israel policies pushed Palestinians toward new forms of mobilization.

According to some of the most perspicacious studies of the intifada, ıe secret of the uprising lies in the weakening of the PLO's direct influ-ıce over events in the territories and in the frustration of West Bank ıd Gaza Palestinians with its ineffectiveness or venality. These analysts nphasize the crystallization of grass-roots organizations in all spheres f Palestinian life under occupation—organizations that began forming ı the late 1970s. They provided needed services within a nationalist con-xt, but without relying on external financial assistance or guidance om national-level leaders.

David McDowall advanced one of the strongest versions of this argu-ıent: he portrayed West Bank and Gaza Palestinians as having become ısillusioned with a PLO leadership it considered too close to Jordanian ıterests and too ready to make concessions to Israel. According to lcDowall, in the late 1970s and early 1980s local Palestinian intellectuals alized the corrupting and debilitating effects of donations from abroad ı Palestinians in the territories; this referred not only to funds delivered / the PLO-Jordan Joint Committee, but also to aid from international ıarities and remittances from relatives working in oil-rich states of the ulf. Their response was to build frameworks for action that blended ıtionalist purposes with practical solutions to housing, educational, :alth, legal, and economic problems. These organizations were to con-itute a Palestinian mobilizational base free of outside influence and ıpable of sustaining a long struggle for the complete liberation of Pal-tine. As described by McDowall, these intellectuals envisioned grass-ɔots organizations operating under local leadership and according to ırticipatory norms that would produce more Palestinian activists than rael could ever imprison or deport.

McDowall's portrayal of this movement as an engineered response by /est Bank intellectuals to PLO policies perceived as dangerously moder-e, or as reflecting their strategic, a priori analysis of the Palestinian redicament, is overdrawn. By "intellectuals" he seems to mean the sec-ıd-echelon leaders of the Communist Party and the main anti-Fatah ıctions of the PLO—the Democratic Front for the Liberation of Palestine ıd the Popular Front for the Liberation of Palestine. These elements id play a crucial role in the intifada and many of them did resent and istrust the external PLO leadership. But in the early 1980s the majority f Palestinians in the territories, including intellectuals, greatly feared ıe near-term consequences of Israel's annexationist policies. Their frus-ation with the PLO was not that it was wavering in its commitment to ıe complete liberation of Palestine, but that it did not seem capable of eginning negotiations with Israel over more attainable goals or of re-

sponding to the actual needs of Palestinians in the territories confronted with the apparent Israelization of the territories. Studies of volunteer work cooperatives, health care organizations, women's organizations, trade unions, student associations, youth groups in refugee camps, and other grass-roots organizations repeatedly show that these mobilizing frameworks for collective action evolved gradually, from discrete, small-scale, cooperative responses to the practical needs of Palestinians in various sectors or locales, into networks linked through representatives of the various PLO factions to the overall nationalist movement.[10] The predominant tone of their nationalist appeals was not a rejection of compromise with Israel, but a more generalized commitment to Palestinian statehood and to the principle of basing the struggle for national rights on the empowerment of masses of Palestinians. The strategic emphasis was disengagement from Israel, leaving political and diplomatic decisions to the external leadership of the PLO.[11]

Nonetheless, McDowall's identification of the "popular organizations" as a crucial innovation in Palestinian resistance to the occupation, his contention that they emerged as the result of frustration with the PLO, his identification of the crucial role of activists from various PLO factions in their formation, and his argument that they formed the seedbed of the intifada are echoed by excellent studies published subsequently by Joost Hiltermann, F. Robert Hunter, and Salim Tamari. Although Hunter argues that the PLO sought to control the influence of grass-roots movements in the territories by authorizing mayors, intellectuals, and notables

[10] For accounts of the pre-intifada development of such grass-roots organizations and the crucial mobilizational role they played, see Islah Abdul Jawwad, "The Evolution of the Political Role of the Palestinian Women's Movement in the Uprising," in Hudson, 63–76; Lisa Taraki, "The Development of Political Consciousness among Palestinians in the Occupied Territories, 1967–1987," in Nassar and Heacock, 59–62; Mustafa Barghouthi and Rita Giacaman, "The Emergence of an Infrastructure of Resistance: The Case of Health," in Nassar and Heacock, 73–87; Hiltermann, passim; Husain Jameel Bargouti, "Jeep versus Bare Feet: The Villages in the *Intifada*," in Nassar and Heacock, 107–9; Peretz, 74; Salim Tamari, "The Palestinian Movement in Transition: Historical Reversals and the Uprising," in Brynen, 20–22; and Hillel Frisch, "MiMaavak Mizuyan Legiyus Politi: Temurot BiEstrategiya shel Ashaf BiShtachim" (From armed struggle to political mobilization: Trends in PLO strategy in the territories), in Gilbar and Susser (fn. 9), esp. 50–58. On the predominant role of the four major PLO factions in the territories, see esp. Hiltermann, 64–66, 173–217; Hunter, 65–66; Jarbawi (fn. 8), 296–300; and Jawwad, in Hudson.

[11] Regarding pre-intifada attitudes of West Bank and Gaza Palestinians toward a "separate state" solution with Israel, see Ann Mosely Lesch, *Political Perceptions of the Palestinians on the West Bank and the Gaza Strip* (Washington, D.C.: Middle East Institute, 1980); Emile Sahliyeh, *In Search of Leadership: West Bank Politics* (Washington, D.C.: Brookings Institution, 1988); Moshe Ma'oz, *Palestinian Leadership on the West Bank* (London: Frank Cass, 1984); Ann Mosely Lesch and Mark Tessler, *Israel, Egypt, and the Palestinians: From Camp David to Intifada* (Bloomington: Indiana University Press, 1989); Mohammed Shadid and Rick Seltzer, "Political Attitudes of Palestinians in the West Bank and Gaza Strip," *Middle East Journal* 42 (Winter 1988).

to act as its semiofficial representatives, he also cites Fatah's mobilization of its West Bank supporters to compete with Communist Party/PNF organizing in the late 1970s as a key step in the development of a mass-based nationalist movement in the territories (pp. 31, 78–79). Hiltermann's book contains a detailed, informant-based analysis of Palestinian labor and women's organizations in the decade preceding the uprising. According to Hiltermann, the PLO provided the strategic context for these and other popular organizations to contribute to the nationalist movement. He criticizes intra-PLO factionalism as the biggest obstacle to the attainment of Palestinian rights and like other authors cites the PLO Congress in Algiers in April 1987, where substantial progress was made toward unity among rival organizations, as an essential precondition for the beginning of the intifada.

Hiltermann's main purpose, however, is to explain the growth of the popular organizations as the response of (mostly leftist) activists in the territories to the conservatism of Fatah's policies from the late 1970s to the mid-1980s. Although, as Hunter points out, the PLO authorized formation of mass-based organizations, the established leadership of Fatah channeled its monetary resources to businessmen, urban notables, and established professionals, thereby delaying the growth of these organizations and intensifying factional jealousies within them. But as these "joint (Jordanian-PLO) committee" funds dried up, disappearing entirely in 1985, the popular organizations were forced to find their own resources. Hiltermann identifies resource scarcity and intense competition among rival factions as conditions helping to lay the groundwork for the intifada by increasing the number of Palestinians mobilized by the unions and women's organizations. No longer able to depend on outside funds, they were forced to develop innovative techniques for responding to the concrete problems of their constituents. Fearful that their own organizations would be overshadowed by more successful rivals, each PLO faction, in every locality and organizational setting, worked desperately to mobilize recruits from among groups not previously drawn into political activity—especially women, refugees, and workers commuting to jobs in Israel. By competing with each other within each organizational setting the PLO factions not only added useful services to the nationalist appeals they offered but also decentralized and democratized their operations.[12] By proliferating at the grass-roots level, these organizations produced enough capable leaders in enough different localities to

[12] Hiltermann, pp. 65–66; Islah Jad, "From Salons to the Popular Committees: Palestinian Women, 1919–1989," in Nassar and Heacock, 131; Salim Tamari (fn. 10), 22; and Taraki (fn. 10), 67.

frustrate the Israeli policy of decapitating Palestinian organizations by regularly imprisoning or deporting leaders who emerged at the national or regional level.

In one of his three contributions to these volumes Salim Tamari emphasizes the failure of the Palestinians in the territories to launch the uprising earlier. His explanation for this "nonevent" includes unusually pointed criticism of both the PLO and its most visible supporters within the territories (Tamari, in Brynen, 13–28). The funds for "steadfastness" (*sumud*) distributed by Jordan and the PLO, he argues, smothered the development of nationalist consciousness, reinforced the power of clan leaders and other traditional elites, and stifled the growth of effective forms of resistance—not in the least by allowing the Palestinian bourgeoisie to appear patriotic simply by staying in Palestine and feathering its nest. According to Tamari, the radically populist grass-roots organizations that propelled the intifada were the response of thousands of lower-echelon activists disgusted by the model of a nationalist resistance leadership whose only form of struggle was the construction of more lavish residences.

Tamari's candid and critical treatment reflects one of the many ironic symmetries between Zionism and Palestinian nationalism. A prominent and psychologically revealing theme in Israeli analyses of Zionism's success and its validity as a national movement is the extent to which the development of Zionism was a function of stresses, forces, ideas, and choices made *within* the Jewish community. By explaining outcomes as functions of *self-created* conditions and real struggles *inside* their community, for status, power, and material resources, Palestinian authors highlight in the structure of their argumentation the ontological integrity of their people's claim to separate national existence. By advancing this kind of analysis, rather than portrayals of Jews or Palestinians as reacting to or manipulated by outside forces, both Zionists and Palestinian nationalists have sought to establish their peoples as subjects, not just objects, of politics and history—even at the cost of exposing unattractive aspects of their own communities. Thus, much of the impetus for the kind of explanations for the intifada advanced in the work by Palestinians (and other sympathetic analysts, most notably Hiltermann) is to depict their people as commanding their own fate by reacting to their own self-created predicaments in creative and determinative ways.

An equally prominent theme in the studies under review is an effort to trace forms of Palestinian struggle and their differential success to the nature of the Palestinians' primary antagonist and to changes in Israeli politics and policies. On the simplest level this is the argument of the

colonial dialectic. By seeking ruthless and complete domination over Palestinians in the territories, and by making real threats to force them out of Palestine altogether, the "internal colonization" of the territories is seen as having "sown the seeds of its own destruction," giving rise to counterhegemonic mobilization based on the unification of the entire Palestinian community.[13]

Construed as a colonialist phenomenon, one of the distinctive aspects of Zionism, both inside Israel and within the territories, is its exclusivity—its unwillingness, in principle as well as in practice, to consider non-Jews, and particularly Arabs, as capable of becoming full-fledged members of the Israeli-Jewish national community.[14] Jamal Nassar and Roger Heacock thus make a telling point in their discussion of the intifada's unprecedentedly successful campaign against collaborators and informers.[15] In light of Zionism's ethnonational exclusivity, and in the absence of any Israeli formula for satisfying minimal Palestinian political and material demands, they note that "even collaborators were never and could never have become convinced Zionists, proponents of Greater Israel, or even convinced advocates of Israeli occupation of Palestinian lands." Accordingly, the only Palestinians used in this way by the Israelis were individuals with highly suspect personal histories who commanded no respect among Palestinians generally and/or against whom the authorities could use various types of blackmail and bribery (Nassar and Heacock, 202). In this sense the ideological inability of Israel to advance a plausible hegemonic project for Palestinians as part of its control of the territories made those it called *shitufei peula* (collaborators) less useful than those who served the British (the Royal Irish Constabulary in Ireland; the Gurkhas and the Raj in India; the monarchy in Egypt) and French (tribal chiefs and *évolués* in French West Africa; traditional regional magnates in Morocco; the *harkis* in Algeria) in comparable capacities. This meant, ceteris paribus, that a united "anticolonialist" counter-

[13] Samih K. Farsoun and Jean M. Landis, "The Sociology of an Uprising: The Roots of the *Intifada*," in Nassar and Heacock, 19.

[14] See Ian S. Lustick, *Arabs in the Jewish State: Israel's Control of a National Minority* (Austin: University of Texas Press, 1980); and Yoav Peled, "Ethnic Democracy and the Legal Construction of Citizenship: Arab Citizens of the Jewish State," *American Political Science Review* 86 (June 1992), 432–43.

[15] This campaign against informers was highly successful in the first year of the uprising; but it degenerated later after a prolonged period of lawless conditions within Palestinian communities whose policemen had resigned, and as a result of systematic disinformation and ruthless counterintelligence operations by the Shin Bet and special Israeli army units disguised as Arabs. The best evidence for this sequence is the virtual prohibition imposed by Israeli censors on public discussion in Israel about Palestinian anticollaborationist activities in the first year of the uprising, followed, in 1989, by the high profile accorded by Israeli government officials to Palestinian killings of "suspected collaborators."

mobilization was easier for Palestinians to achieve than it otherwise might have been.

I have already noted the extent to which these authors explain the grass-roots "cellular" nature of the uprising as an unintended consequence of Israeli policies that criminalized politics of any sort and targeted regionally or nationally based Palestinian leaders for imprisonment or deportation. In these works the timing of the intifada—the fact that it took twenty years to materialize—is also seen at least in part as a function of change in the nature of Israeli policies. Specifically, many of these authors trace the uprising to the consequences of the 1977 political "reversal" in Israel.[16]

The Labor Party–led coalition governments that formulated and implemented occupation policies from 1967 to 1977 were fundamentally ambivalent about the future of the territories, fearful of embarking on decisive attempts to absorb or relinquish them because of the imperatives of coalition politics, and convinced of the advisability of using a carrot-and-stick approach with the Arabs who lived there. Despite land expropriation, strict limits on water use, and irritating restrictions on their daily life, many Palestinians managed to get along, if not prosper economically, as long as they stayed well clear of politics. When the Likud replaced the Labor Party as the organizer of Israeli governments, however, the fundamental meaning of the occupation changed. Under Begin, Sharon, and Shamir, the official policy of the government was to do everything possible to ensure that the territories could have no future other than permanent absorption by Israel. The carrots were largely removed from Likud government policies toward the Arabs, massive land expropriations were implemented, and under Chief of Staff Rafael Eitan and Defense Minister Sharon, policies of repression became markedly more brutal and less discriminating. Along with large-scale programs of Jewish settlement, these policies were designed to make life for Arabs so miserable that as many as possible would choose to leave.

The effect, however, was to unify the Palestinian population behind the idea of struggling collectively against the occupation rather than seeking individual options of accommodation. Tamari's essay in the Nassar and Heacock volume, for example, focuses on the merchants and the urban bourgeoisie, groups that had managed to do rather well under the occupation until Israel's introduction of a value-added tax in the territories in 1976. When the second Likud government greatly intensified

[16] Israeli commentators have labeled the return of the Labor Party to power after the June 1992 elections, following fifteen years of Likud domination of the political scene, as another *maapach*.

tax collection activities and staffed the military government with officers hostile to the very existence of Arab communities in the West Bank and Gaza, merchants, shopkeepers, and urban entrepreneurs found themselves unable to maintain their middle-class standard of living. This left them as frightened of the consequences of continued Israeli rule as other, previously more vulnerable classes of Palestinians. As Tamari puts it:

> A combination of increasing tax pressures and a shift in the perception of the military government, which now saw the urban middle classes as part of a hostile subject population rather than as part of a "pragmatic majority that wants to live quietly" (a shift that was itself brought about by the ascendancy to power, and the staffing of the military government, by extreme right-wing elements) . . . hastened the process of involving the shopkeepers as willful activists in the uprising.[17]

The most profound sense in which the intifada is a reflection of its antagonist has to do with Palestinian perceptions of Israel as "rational." Thus, the uprising is described by almost all of these analysts as in large measure an attempt to change the balance of costs and benefits experienced by Israelis in their rule of the territories—an attempt rooted in the belief or unexamined assumption that Israelis and the Israeli political system are rational enough to respond to determinations that the occupation is not worth the price needed to sustain it. Indeed, it is ironic that in the 1980s, while many Israeli antiannexationists were despairing of their country's decline into the irrationalities of Jewish fundamentalism and ultranationalism, and while others believed their state to be locked into an antiaccommodationist stance by processes of settlement pushed well beyond the "point of no return," most Palestinians retained an image of Israel, if not of the Likud government, as a rational, responsive, adaptive entity.

The strategic rationale for the intifada as a calibrated mobilization designed to effect profound changes in Israeli public opinion and Israeli government policies is manifested in these writings by evaluations of its relative success in terms of changes made in Israeli cost/benefit calcula-

[17] Salim Tamari, "The Revolt of the Petite Bourgeoisie: Urban Merchants and the Palestinian Uprising," in Nassar and Heacock, 163. Regarding this particular dialectic between exclusivist Israeli annexationism and the widening basis for Palestinian mobilization, see also Tamari (fn. 10), 14–18; Samir Abdallah Saleh, "The Effects of Israeli Occupation on the Economy of the West Bank and Gaza Strip," in Nassar and Heacock, 37–51; Farsoun and Landis (fn. 13), 19–27; and Hunter, 47. For a case study of a Palestinian family that illuminates how the transformation of Israeli policies under the Likud eliminated any economic opportunities for Palestinians willing to accommodate themselves to Israeli rule (thereby producing the basis for the broad, cross-class alliance of forces that produced and sustained the uprising), see Beshara Doumani, "Family and Politics in Salfit," in Lockman and Beinin, 143–54.

tions regarding the value of continuing the occupation. All agree that the uprising changed these calculations. Most describe the occupation as having been a net benefit to Israel (in economic terms especially) before 1987 and a net drain afterward; they note this shift as a necessary but not sufficient condition for bringing an end to Israeli rule.

Raja Shehadeh, for example, while acknowledging the difficulties of estimation associated with Israel's refusal to announce its own budget for administering the territories, states "without reservation" that before the intifada "the occupation in no way constituted an economic burden for Israel." Quoting from work done by Meron Benvenisti's West Bank Survey Data Project, Shehadeh reports $800 million in nonlocal taxes paid to Israel by Arab inhabitants of the territories in the first twenty years of the occupation. Another $1 billion in insurance and benefits were deducted from the wages of Palestinians working inside of Israel and transferred to Israeli general accounts to which Palestinians have virtually no access. Other sources of revenue include a host of fees and permits required of Arabs in the occupied territories. In 1986, for example, $35 million was collected in permits, fees, and travel taxes at the Jordan River bridges.[18] By contrast, the Bank of Israel reported that in its first year the intifada cost Israel $650 million in export losses, reduced business sector production by 1.5 percent, sharply reduced Israel's "trade surplus" with the territories, and produced $180 million in "nationally motivated" arson. In September 1989 the Defense Ministry announced that it expected the simple military cost of fighting the uprising to reach $1.8 billion by the end of fiscal year 1990.[19]

In his somewhat more nuanced analyses Azmy Bishara portrays the intifada as having "made the occupation a losing economic proposition for Israel," but emphasizes that "the uprising cannot defeat Israel economically" (in Lockman and Beinin, 225–26). Because of the polarization of Israeli politics on the issue of the disposition of the territories, Bishara argues that transformation of the occupation into an economic and even political liability is a necessary but hardly sufficient condition for Israeli withdrawal. An Israeli decision to leave the territories, he suggests, will

[18] Shehadeh, "Israel and the Palestinians: Human Rights in the OTs," in Brynen, 37.

[19] Ibid., 38. Howard Rosen uses the figure of $1 billion, or 2–2.5% of Israel's annual GDP, as the cost of the intifada to the Israeli economy in 1988 and 1989. Rosen, "Economic Consequences of the Intifada," in Robert O. Freedman, ed., *The Intifada: Its Impact on Israel, the Arab World and the Superpowers* (Miami: Florida International University Press, 1991), 384. Quoting figures published in the Israeli press, Azmy Bishara reports that Israel's annual pre-intifada tax revenue from the territories exceeded its expenditures there by $143 million. See Bishara, "The Uprising's Impact on Israel," in Lockman and Beinin, 225–26. See also Peretz, 150–51. Samir Abdallah Saleh's judgment in 1989 was that if the intifada had not made the occupation a net economic liability for Israel, it had made it "tangibly less profitable." Saleh (fn. 16), 49.

ire more Israeli casualties, strong external pressure, and an alliance een Israeli antiannexationists and Palestinians to overcome the po- l power of the Israeli right wing and make the "irrationality" of the pation politically decisive.[20]

e predominant view of the intifada—as the Palestinians' response eir confrontation with an adversary perceived to be at least slug- y rational—is also reflected in the sparse and generally hostile treat- most of these authors give to the Islamicist dimension of the upris- Apart from Jean-François Legrain's excellent treatment of the role d by Islamic Jihad and Hamas in the outbreak of the intifada in the Strip, and Schiff and Ya'ari's discussion of the difficulties encoun- by Israeli interrogators as they sought to "crack" imprisoned mem- of these organizations (p. 230), few of these authors offer any serious deration of Muslim fundamentalism in the uprising.[21] This lacuna inly attributable to the political sympathies of the authors. It reflects ominant Palestinian view of Israel, at least as conveyed by these s, as rational, adaptive, and capable of change in response to con- gly and painfully sustained Palestinian demands. The Islamicists nge this view, and undermine the strategy based upon it, by de- ng Israel as evil incarnate and rejecting any accommodation with wish state. They equate the intifada with jihad and promote images ael as a blind, nonrational power structure incapable of satisfying inimal needs of Palestinian Arabs. For Hamas and Islamic Jihad, lution to the problem of the Palestinians is not, as the nationalist rship of the intifada presents it, to elicit change in and from Israel pplication of direct or indirect pressures) but to define the problem rt of the worldwide challenge facing Islam and then to mobilize ic forces inside and outside of Palestine to destroy or dismantle the h state.[22]

CONSEQUENCES OF THE INTIFADA

ot surprising that these books, written while the intifada was still ding, spend much more time explaining its etiology and dynamics

shara, "The Third Factor: Impact of the Intifada on Israel," in Nassar and Heacock,

an-François Legrain, "The Islamic Movement and the Intifada," in Nassar and Hea- 75–90.

e, e.g., Lisa Taraki's attack on Hamas as either an instrument of Israel or a cynical t to carve out a niche for itself in the future Palestinian state as the "Islamic opposi- Implicit in Taraki's depiction of Israel, and of her praise of the UNLU for the "clarity olitical vision and . . . the concreteness of its aims" is that the Jewish state is substan- ore rational than Hamas's desperate strategy implies. Taraki, "The Islamic Resistance ent in the Palestinian Uprising," in Lockman and Beinin, 174–75.

than its consequences. The Brynen and Hudson volumes do contain many contributions that treat the uprising's effects on various Arab countries, Europe, the Soviet Union/Russia, and the United States. But despite initial claims by the editors of these volumes about the powerful regional and international repercussions of the intifada, most of the essays show the opposite—that except for Jordan, Israel, and the Palestinian communities in Israel and the territories, the uprising has not been a watershed of any kind. Rather, both masses and elites elsewhere tended to experience it as one digressive, short-lived episode among many, which was soon subsumed within the patterns, cycles, and categories of political life in each country. In Egypt, Syria, and North Africa the impact of the uprising on events and attitudes was either marginal or short-lived or both. In the United States its impact, though also shallow, was nevertheless consequential, because of America's enormous importance in the Arab-Israeli political equation. Of greatest significance was the new impetus toward "evenhandedness" and diplomatic activism in American foreign policy in the waning months of the Reagan administration and during the Bush presidency.[23]

Among the Palestinians and in Israel, however, the uprising is portrayed as having effected a fundamental break with the past. Having finally succeeded in putting Israel on the political, diplomatic, and moral defensive, and with Jordan having officially and substantially cut its ties to the West Bank and Gaza, their Arab inhabitants, it is said, will never again be consigned to the political oblivion of the previous twenty years—neither by Israel nor by the PLO. The former leadership of the notables, already weakened, is now gone for good. If the uprising has not led to a revolution in gender relations or cultural attitudes, it has mobilized tens of thousands of men and women into an active engagement in political life of a sort they had never imagined possible.[24]

Within Israel, as Mark Tessler describes most systematically, the inti-

[23] The most useful discussions of the particular effects of the intifada in various Arab countries are Lamis Andoni, "Jordan," in Brynen, 165–94; and Fred Lawson, "Syria," in Brynen, 215–34. See also F. Gregory Gause III, "The Arab World and the Intifada," in Freedman (fn. 18), 191–219.

[24] Regarding the greatly increased clout of West Bank and Gaza Palestinians within the Palestinian movement as a whole, see Khalidi (fn. 8), 124–26. On the irreversible effect of the intifada's psychological, cultural, and political vitalization of the occupied territories on Palestinians, see Hanan Mikhail Ashrawi, "The Politics of Cultural Revival," in Hudson, 77–83; Rex Brynen, "Israel and Palestine: Implications of the Intifada," in Brynen, 7–9; and Hunter, 216. Regarding the displacement of traditional elites, see, for example, Bargouti (fn. 10), 110–18. On the significant but very incomplete success of Palestinian women in their efforts to use the intifada to advance gender equality, see Rita Giacaman and Penny Johnson, "Palestinian Women: Building Barricades and Breaking Barriers," in Lockman and Beinin, 155–70; Jad (fn. 11), 125–42; and Jawwad (fn. 10), 63–76.

fada forced the previously most popular policy toward the territories—maintenance of the status quo—virtually to disappear from surveys of public opinion as an option favored by respondents. While short-run reactions included higher proportions of Israelis favoring mass deportations of Arabs, the more lasting and substantial effect of the intifada was to convince more Israelis more fully of the attractiveness of separating the two communities—whether by banning entry of West Bank and Gaza Arabs into Israel proper, deporting them from the territories, or by ending Israeli rule of the territories.[25] Although the rise to power of a Labor-led government that would in principle be willing to grant Palestinian demands for an end to Israeli rule was the central objective of the uprising leadership, no author anticipated that it would occur as rapidly as it did.

Still the most prominent judgments offered about the effects of the intifada on Israel are consistent with images of the Jewish state as at least sluggishly adaptive. Tessler and other authors stress the significance of reinvigorating the substantive importance of the pre-1967 border, the "green line" separating Israel from the territories. The intifada delivered a mortal blow to Israeli annexationist efforts to erase that line from the everyday life of Israelis, to routinize the incorporation of the territories into Israel and thereby remove the question of what to do with the West Bank and Gaza from the agenda of Israeli politics (Tessler, in Brynen, 63–66). If the Palestinians are ever to see an end to the occupation and the fulfillment of their demand for national self-determination, this reproblematization of the territories—making changing cost/benefit calculations meaningful in the Israeli political debate and relevant to Israeli policy choices—was a necessary step.[26]

A crucial element in this regard was the insistence of the intifada leadership and of the PLO outside that the appropriate role of Israeli Arabs (the "Palestinians of 1948") was not to join the uprising but to support it from within Israel with material assistance and political pressure. As Nadim Rouhana's research thoroughly documents, Israeli Arabs steered clear of integrating themselves into the uprising, which vividly reinforced the green line by allowing their legal status as citizens within Israel to take precedence over their emotional, national, and even family

[25] Tessler, "The Impact of the *Intifada* on Israeli Political Thinking," in Brynen, 43–96. The question of whether the Rabin government will actually reach and implement an agreement with the Palestinians that would lead to such an outcome is an open and quite different question. For another highly nuanced analysis of the impact of the first year and a half of the intifada on Israeli society, see Peretz, 119–62.

[26] See Ian Lustick, "Israeli State-Building in the West Bank and Gaza Strip: Theory and Practice," *International Organization* 41 (Winter 1987).

ties to Arabs a few miles away in the West Bank and Gaza Strip.[27] As a result of what in this and other respects was an extraordinarily well calibrated struggle, leading Israelis to feel relatively safe on one side of the green line and in danger on the other, few Israelis could insist that there were no differences between Jewish-ruled territory on either side of the green line or that the eventual disposition of the West Bank and Gaza Strip was not an open and serious question facing the country.

The Intifada as Evidence for Theories of Collective Action

Conspicuously missing from these studies of the Palestinian uprising is any sustained discussion of conceptual or theoretical issues. With the partial exception of Hiltermann, no serious attempt is made to use theories or concepts of collective action or revolution to explain the onset, development, or consequences of the uprising. Nor are these authors interested in criticizing or corroborating claims advanced in those literatures on the basis of what they learned from the events they recounted. Even Hiltermann limits himself to introductory nods to work by Jeffery Paige and Charles Tilly and an overall Smelserian framework for considering how mobilizational facilities combine with increasing structural strain to produce mass political action.

The most prominent themes and motifs in these studies do, however, correspond to the main points of contemporary debate about how revolutions and other forms of collective action should be studied. Recall, for example, the strong attacks by most of these authors on "volcano" accounts of the intifada, accounts that attribute the uprising to an uncontrolled explosion of pent-up anger and resentment. These attacks echo what has now become conventional wisdom in pertinent theoretical discussions—rejection of efforts in the late 1960s and early 1970s to explain revolts, implicitly classified as nonrational, violent, and/or "deviant" outbursts of disorder, by aggregate measures of discontent, frustration, or anomie.

The single most important theoretical impetus for studying the relationship between discontent and collective action has been rational choice. Rational-choice and game-theoretic models encourage analysts to replace images of the "irrational mob" with models of dissidents as motivated by the same rationalist calculi as operate in the minds of those

[27] Rouhana, "Palestinians in Israel: Responses to the Uprising," in Brynen, 97–117. For a different view, one more reflective of traditional Israeli Arabist perspectives, stressing the uprising's "Palestinianizing" impact on Arabs in Israel, see Elie Rekhess, "The Arabs in Israel and the Intifada," in Freedman (fn. 19), 343–69.

the "forces of order." Equally important in explaining the
vith which rational-choice models have been applied to rev-
'evolt is that the main intellectual challenge confronting ra-
theory—explaining collective action despite the logical
ree-rider problem—is posed starkly in studies of illegal mass
on, where, it would appear, risks associated with participa-
and the salience of individual contributions negligible. By
ular revolts and revolutions, scholars can test the validity of
ual inventions while responding to an important challenge
us academic field.

hic studies of episodes of illegal mass collective action, in-
kind of work reviewed here, provide both comparativists
e-action theorists with a way to respond to the claim of Ed-
r and Karl-Dieter Opp that thought experiments and survey
the only methods for determining how collective-action
really solved.[28] Intensive, nonquantitative consideration of
provides an attractive and popular alternative for testing
r at least corroborating hunches.

ılty with this approach is that the ideographic renderings of
n which the individual theorists rely to test their theories
es organized around prior, usually implicit determinations
riables and which mechanisms were responsible for out-
an expectation does not require any conscious suppression
le evidence. All that would be required is the expectation
scientists facing their operational database (that is, the mon-
ature on their cases) would exhibit the same tendency to-
imenter demand" that is so well established in the social
terature. It has been amply documented in that field that
tions are taken to ensure that subjects are blind to the pur-
esearch, or even under false beliefs about its purpose, the
responses supportive of the investigator's hypothesis is sig-
reased. The same logic applied in this domain, where the
onographic literature rather than responses by experimental
s to the expectation that researchers will treat some sources
erpretations or readings of sources as more salient and per-
others. Specifically, it is highly probable that sources or in-
of sources that are supportive or consistent with theories
ies under consideration will be deemed more salient than
ed according to different categories and/or whose findings

Opp, "Rational Choice and Rebellious Collective Action," *American Polit-
w* 80 (June 1986), 475.

run counter to hopes or expectations. Monographic treatments of the intifada, for example, are better understood as writings *of* it—accounts that, in a sense, create it (for the comparativistically inclined analyst)—rather than as discussions *about* it, which would imply some independent and unambiguously available narrative of what it was or is.

This reality means that the actual role of monographic evidence for the collective-action theorists is not to provide a transparent, inclusive record of "the facts" with which to test and refine independently generated theories. Instead, when theorists cite such material in support of their propositions, we learn that the hypothesis or theory advanced by the researcher, or at least the underlying categories, was also the hypothesis, theory, or categories chosen by the author of the monograph as best able to elucidate the "facts" as he/she had collected them. It is therefore no simple matter to mobilize secondary source material in *decisive* support of one set of theoretical claims over others. At the same time it is unnecessarily pessimistic to ignore the usefulness of the weight of monographic evidence, indicating, ceteris paribus, that the postulates and lines of analysis judged most useful by those closest to the primary sources are consistent with theories advanced by the researcher.

Both the promise and the limitations of this strategy for testing solutions to the collective-action problem can be illustrated by showing that many of the contending claims of those who have been grappling with it can find support in the record of the intifada, a record substantially established by the works under review.

In 1981 Harvey Waterman characterized the theories of rebellion, revolt, and revolution that had been popular in the 1960s and early 1970s as assuming the nonrational character of mass revolutionary action. This approach traced illegal mass action to the emotions of crowds and explosions of accumulated passions unconnected to calculations that collective mobilization could effect desired improvements. This approach, which was associated with models of relative deprivation, notions of anomie, and images of disequilibrium, discouraged consideration of collective political action as the product of rational calculation. Rather, it treated the occurrence of uprisings or revolts as an artifact of particularly stressful junctures in the process of modernization, or it focused on violence (deemed deviant) as the dependent variable rather than on the broader and analytically more interesting category of collective political action.

To evaluate this overall perspective, Waterman surveyed the findings of fifty-eight studies of mass political activity. In Waterman's account, scholarly treatments of cases ranging from the Poujadists, to the East German revolt of 1953, to the Basque national revival movement were

seen as having advanced much beyond the older nonrational, "expressivist," or accidental constructions of collective political action.[29] Waterman argues that by understanding collective political action in value-added terms, newer work was able to link claims about historical, economic, or social preconditions for various types of mobilization to a model of mass mobilization as rational—a function of the perceived desirability of mass action by participants purposively seeking to better the circumstances of their lives. Waterman's basic point corresponds directly to the rejection by most writers on the intifada of "volcano" models of the uprising, and to their vigorous insistence on the collective rationality of Palestinian behavior—including mass demonstrations, riots, stone throwing, and harassment—as calculated to have specific and beneficial political consequences.

From the perspective of most work on the topic during the last decade, however, it is Waterman's perspective that seems archaic. Implicitly he assumed that there is always a latticework of organizations among potential participants in collective political action, thereby permitting expression of the collective rationality of action despite what would appear to be the irrationality for any single individual to take the risks or pay the costs of participation. In the Palestinian case it was precisely the absence of organizational frameworks in the 1960s and 1970s and their crystallization in the 1980s that made the intifada possible. Closer to the mark, therefore, is Rod Aya's critique of theories of revolution associated with Ted Robert Gurr, James C. Davies, Neil Smelser, and Chalmers Johnson. Like Waterman (and most writers on the intifada), Aya insists that "collective violence is no mere eruption of rage" and cannot be satisfactorily explained by treating it as an epiphenomenon of social change, as a reflection of disequilibrium, or as the result of shifts in aggregate levels of discontent, whether absolute or relative.[30] Reflecting work done by Charles Tilly and his students, Aya emphasizes the political, organizational, and mobilizational tasks that need to be accomplished to translate diffuse anger into collective political action and that, once accomplished, provide strategic explanations for its occurrence. In the treatments of the intifada surveyed above, the theme of the uprising as a result of disciplined political organization by Palestinians who had too often been deemed only objects but not subjects of history conforms pre-

[29] Waterman, "Reasons and Reason: Collective Political Activity in Comparative and Historical Perspective," *World Politics* 33 (July 1981), 558–60.

[30] Aya, "Popular Intervention in Revolutionary Situations," in Charles Bright and Susan Harding, eds., *Statemaking and Social Movements: Essays in History and Theory* (Ann Arbor: University of Michigan Press, 1984), 326.

cisely to Aya's critique of older theories of revolution and the proper new orientation of what he calls "the political model of mass mobilization."[31]

Beginning in the late 1970s, analysts of revolutions and other less spectacular forms of collective political action have taken as givens its value-added character, its collective rationality, and the need for organized mobilizing frameworks for action. These assumptions have allowed and encouraged them to frame their analyses more specifically as explanations of collective political action, especially revolutionary behavior, by identifying mechanisms for overcoming the free-rider problem, that is for producing collectively rational coordinated activity out of what would appear to be individually irrational choices. Although writers of the intifada virtually never explicitly cite this work as inspiration or support for their own arguments, most of the mechanisms identified or hypothesized by collective-action theorists can be found in the works reviewed here, as they seek to specify (1) the mobilizational techniques and responses that translated generalized discontent into sustained collective action and (2) the larger circumstances that account for the occurrence of revolutionary mobilization only in the late 1980s and not earlier.

In his influential work on revolutionary activity by Vietnamese peasants, Samuel Popkin emphasizes the importance of locally active political entrepreneurs who offer peasants the opportunity to solve existential problems by collective action with revolutionary payoffs.[32] Once they are convinced that only through cooperation can they survive, and knowing that noncooperators will benefit much less, if at all, from the direct action of those who do cooperate (such as raiding Japanese food-storage facilities), cooperation rather than defection becomes a dominant strategy. A subsidiary but crucial element in Popkin's account is the role that countrywide organizations and ideologies play in providing local entrepreneurs with the information, skills, and reputation for trustworthiness they need to begin the mobilization process. Another dimension of his "solution" to the free-rider problem is akin to one suggested originally by Mancur Olson, namely, that if groups are small (for example, organized on the village level), monitoring of defectors is expected, the risks of free riding are increased, and the rationality of participation enhanced.

Ample support from the Palestinian case is available for Popkin's model of rational villagers mobilized by local entrepreneurs to "bootstrap" themselves over the free-rider problem into mass collective action

[31] See Aya, "Theories of Revolution Reconsidered," *Theory and Society* 8 (July 1979).

[32] I draw from Popkin's account in his essay "Political Entrepreneurs and Peasant Movements in Vietnam," in Michael Taylor, ed., *Rationality and Revolution* (Cambridge: Cambridge University Press, 1988).

Hiltermann, for example, shows in great detail how operatives of the various PLO factions with nationalist, revolutionary motivations created grass-roots techniques for providing, through participation in labor unions, youth organizations, and women's groups, needed services to individual Palestinians.[33] Precisely consistent with Popkin's model is the identification in many of these studies of several thousand local leaders active in networks of small, local, grass-roots organizations. Through these organizations, leaders could provide selective, concrete benefits to participants, monitor individual defections, and ready themselves to shift the mobilizational potential of their groups to a national struggle when the opportunity presented itself. Equally consistent with Popkin's argument is the emphasis I have noted in these same studies on the importance of the PLO's overarching position as the recognized representative of Palestinian nationalism and the status of local bootstrapping leaders as representatives of the PLO through its various factions. There is, however, one mechanism of bootstrap mobilization that receives little attention from Popkin but is identified (though not named as such) by Hiltermann, Tamari, Jad, and Taraki—competitive intensification of factional efforts to expand constituencies by providing new incentives.[34]

In contrast and in response to Popkin's work, James Scott and Michael Taylor have cited as primary one of the factors that Popkin treats as subsidiary—a preexisting sense of community among participants in collective revolutionary action that makes it possible for organizers to appeal to the rationality of their constituents as a basis for participation.[35] Indeed evidence for this critique is as available in the accounts of the intifada I have surveyed as is material illustrating Popkin's argument. Two important themes recur in discussions of the etiology of the uprising and its resilience: the vitalization of nationalist consciousness in the occupied territories in the decade prior to the uprising and the solidarities of family, clan, neighborhood, and locale that lay behind the willingness of individuals to take the risks associated with confronting Israeli soldiers and Shin Bet (security service) agents. The crucial early role in the uprising played by villagers and inhabitants of refugee camps is vividly depicted: close-knit communities transformed themselves from be-

[33] On the crucial activity of intifada activists as seeking, with direct services to constituents, to "outadminister" the Israeli authorities and draw previously nonpoliticized individuals into the national struggle, see Hiltermann, 53–57, 68, 78, 87–89, 126–28, 143, 163–72, 209–11; Hunter, 121–41; George T. Abed, "The Economic Viability of a Palestinian State," in Hudson, 210–11; and other sources cited in fn. 10.

[34] See fn. 10.

[35] See Scott, "Hegemony and the Peasantry," *Politics and Society* 7, no. 3 (1977); and Taylor, "Rationality and Revolutionary Collective Action," in Taylor (fn. 32).

ing convenient for the operation of informer networks to protective and supportive environments for self-help projects and militant resistance.[36]

Michael Hechter's argument is a representative response to this "community," "iterated game," or "preexisting norm" explanation for collective action. Examined closely, writes Hechter, these notions camouflage some larger, already solved collective-action/free-rider problem and so cannot themselves be considered the solution to the problem itself. Returning to Popkin's theme, Hechter emphasizes the key role of formal organizations (in contexts permitting monitoring of contributions to joint efforts) in activating community solidarities and associated norms.[37] This line of argument is also present in depictions of the intifada. Indeed, virtually all the accounts just cited as emphasizing preexisting or latent community identities as ingredients in the intifada include at least some discussion about how the actions of specific kinds of individuals with more education, prison experience, ideologically organized beliefs, direct ties to PLO factions, and/or special leadership qualities were instrumental in eliciting these identities and endowing them with revolutionary meaning.

Following Mancur Olson, traditional rational-choice approaches have little difficulty explaining why elites participate in collective action: the payoff for collective success is tangible, direct, and individual—the consolidation or advancement of their status as leaders. This "selective incentive" explanation for activism by elites is less satisfying, however, to the extent that the following conditions are present: the settings involved are only embryonically organized, the size of the group to be organized is small (and hence, presumably, less "profitable" to lead), the prospects of success are dim, the cost of failure is extremely high, and the number of competing or parallel groups is large. Under these circumstances, explaining activism by elites or by those who view themselves as potential leaders faces virtually the same free-rider problem as does explaining nonelite participation. In very great measure these are the circumstances

[36] On the crystallization of a distinctive Palestinian nationalist consciousness among Arabs in the territories in the 1970s and 1980s and its relationship to the intifada, see especially Taraki (fn. 10), 53–71. On the emergence of latent *gemeinschaft* affinities in Palestinian villages and refugee camps as an ingredient in the uprising, see Adil Yahya, "The Role of the Refugee Camps," in Nassar and Heacock, 91–106; Bargouti (fn. 10), 107–23; Hunter, 120–48; Penny Johnson and Lee O'Brien with Joost Hiltermann, "The West Bank Rises Up," in Lockman and Beinin, 29–42; Anita Vitullo, "Uprising in Gaza," in Lockman and Beinin, 43–56; Melissa Baumann, "Gaza Diary," in Lockman and Beinin, 57–66; and Giacaman and Johnson (fn. 24), 155–70. For illustration of the complex interconnections between familial and local community ties that bind individuals together while opening opportunities for collaborators to penetrate villages on behalf of the Israeli authorities, see Helen Winternitz, *A Season of Stones: Living in a Palestinian Village* (New York: Atlantic Monthly Press, 1991).

[37] Hechter, "Comment: On the Inadequacy of Game Theory for the Solution of Real World Collective Action Problems," in Karen Schweers Cook and Margaret Levi, eds., *The Limits of Rationality* (Chicago: University of Chicago Press, 1990), 240–49.

ıder which the intifada was ignited and sustained. Hence, the problem posed: why would thousands of people, despite the risks and costs, ake such enormous individual efforts to assemble separate, largely self-ntained organizations and committees? In this instance, after all, they d no reason to think that their individual efforts would make a deci-ıe contribution to the end of the occupation or advance them toward ıdership positions within the Palestinian community as a whole.[38]

One approach to this problem departs in two important ways from lson's seminal treatment: by considering the "psychic rewards" of var-ıs behaviors as part of the economy of rational choice; and by intro-ıcing differences among interacting rational actors in the sophistication substance of their intrapsychic operationalization of rationality. ueller and Opp argue that rebellious behavior is best explained by a mbination of sophisticated calculations of the relationship between blic goods and private interest. These calculations lead individuals to rceive their personal interests as best served by redefining Prisoners' lemma–type games as assurance games. Mueller and Opp also cite a ıartyr syndrome," which leads some participants to prefer the risks of eat personal sacrifice to inaction that does not advance prospects for hieving public goods.[39] Jon Elster's treatment emphasizes the differ-tial internalization of social norms, leading to a dynamic mixture of otivations among those having to choose whether to participate in col-tive action.[40] Timur Kuran explains the puzzling suddenness of rev-ıtionary upheavals by postulating differences in the propensity of in-viduals to tolerate the psychic distress of contradicting private eferences or beliefs with public behavior. Embracing a kind of Gue-rist "foco" theory of collective action, Kuran proposes that cascading tterns of transformation—from collective apathy toward acquiescence , or support for, an authority structure, to collective defiance and ex-icit renunciation of its claims—are traceable to the catalytic effect of tions by individuals with low thresholds for tolerating psychic disso-nce when many other individuals are near their thresholds.[41]

An obvious difficulty associated with testing this sort of approach to

[38] According to one estimate, there were 45,000 "popular committees" at the neighbor-od, village, and block level in the occupied territories by mid-May 1988. *New York Times*, ıy 15, 1988. Cited and discussed by Jamal R. Nassar and Roger Heacock, "The Revolu-nary Transformation of the Palestinians under Occupation," in Nassar and Heacock, 199.

[39] Mueller and Opp (fn. 28), 471–88. For accusations that Mueller and Opp have aban-ned rational choice altogether and for their response, see George Klosko, Edward N. ıeller, and Karl-Dieter Opp, "Rebellious Collective Action Revisited," *American Political ence Review* 81 (June 1987), 557–66.

[40] Elster, *The Cement of Society: A Study of Social Order* (Cambridge: Cambridge University ess, 1989), 1–49, 248–87.

[41] Kuran, "Now out of Never: The Element of Surprise in the East European Revolution 1989," *World Politics* 44 (October 1991).

collective action is the need to observe intrapsychic phenomena in ‹
for example, to classify individuals according to Elster's different
of moral rationality and to do so independent of the behavior thes
ferences are supposed to produce.[42] Nevertheless, many of the tł
and motifs within the literature on the intifada are not only cons
with the claims and models put forward by Mueller and Opp, E
and Kuran, but also support their insistence that revolutionary coll
action cannot be explained within the parameters of what Elste
Taylor have called "thin rationality."[43]

There are of course plenty of references in the works under revi
the heroism, self-sacrifice, and dedication of Palestinian participa
the intifada. Anecdotes abound of individuals and villages willing t
dure great hardship to make minor material or symbolic contribu
to the collective struggle, and there are many descriptions of the se
satisfaction reported by those whose losses would appear to have
most severe, including the "mothers of martyrs." The very secrecy
protected the identity of midlevel activists and made possible the
tained operation of the United National Command of the Uprising
deprived that leadership of almost any hope of personal reward f
efforts. Schiff and Ya'ari, Peretz, Said, Hunter, and Jarbawi emph
an accumulation of rage and humiliation that seemed, in combin
with catalytic instances of exemplary sacrifice, suddenly to revers
terms of the collective-action problem. It shattered the psychologica
rier of fear, which in turn removed the deterrent effect of the I
army, reduced the external cost of bringing public behavior in line
private preferences, and forced those seeking the most prudent cou
adopt public behaviors consistent with the intifada rather than wit
demands of the Israeli authorities.[44]

A prominent point of contention in treatments of revolution rela
the agent-structure problem. As Theda Skocpol has framed it: to
extent do revolutions (and we may say other sorts of mass collectiv
tion) "come"; to what extent are they made? Typically, "structur
approaches such as those advanced by Eric Wolf, Jeffery Paige,
Skocpol are counterposed to "voluntarist" arguments such as tho
Taylor, Popkin, and Scott. As is often pointed out, however, these
proaches are not necessarily contradictory. Structuralist theories ca

[42] There is of course the additional practical problem of making the required observ
of so many individuals while a revolutionary process is under way.

[43] See Taylor (fn. 35), 66–67.

[44] See, e.g., Edward Said, "Intifada and Independence," in Lockman and Beinin, 14
bawi (fn. 8), 296; Peretz, 39–52; Joe Stork, "The Significance of Stones: Notes fro
Seventh Month," in Lockman and Beinin, 67–80; and Hunter, 89, 220.

nderstood as identifying the conditions shaping the distribution of robabilities that one or more of the "voluntarist" techniques for overoming the collective-action problem will succeed. When Goodwin and kocpol predict revolution as more likely in colonial settings characterred by exclusionary policies, featuring cross-class solidarities among ie excluded, and incentives for broad-based, illegal mobilization, they 'e in effect identifying the conditions which make it more probable that opkin's service-oriented, bootstrapping entrepreneurs, Elster's "everyay Kantian" activists, or Kuran's "foco" exemplars will produce soluons to the free-rider problem that can match mass action to aggregate itionality.[45]

Again, Goodwin and Skocpol's argument predicting revolution from e characteristics of the political space permitted by the governing reme for the expression of discontent finds substantial corroboration in e timing of the intifada and in the nature of Likud policies toward rabs in the territories. They were policies that led virtually all Palestinns to consider themselves as equally and dangerously at risk from a intinuation of the occupation. A similar sort of integration of structure id agency in explanations of collective action is achieved by Jeffrey Beiikian. Drawing on the work done by Amos Tversky and his collabors on asymmetric framing of decisions in order to mitigate losses or pursue possible gains, Berejikian argues that revolution is much ire likely (that is, the various obstacles to collective action are more ely to be overcome) when discontent is framed as a response to threats loss rather than as associated with missed opportunities for gain.[46] iat is, of course, precisely what Tamari, Hunter, Peretz, Schiff and 'ari, and others whose work I have summarized say about the nature d effect of Likud policies of de facto annexation, of substituting sticks all carrots in the implementation of occupation policy, and of the ghteningly prominent discussion of mass deportation as a solution to : "Arab problem."

In sum, then, the experience of the intifada, at least as presented in the rks under review, provides strong support for the argument that new ıds of organizations are likely to be the decisive variable in producing itained collective action where before there had been only widespread content. These are organizations that match real needs of individuals

[45] Jeff Goodwin and Theda Skocpol, "Explaining Revolutions in the Contemporary Third rld," *Politics and Society* 17 (December 1989). This is the only theoretical or general work which I am aware that explicitly includes the intifada as a case, or potential case, of revoonary collective action.

[46] Jeffrey Berejikian, "Revolutionary Collective Action and the Agent-Structure Prob-," *American Political Science Review* 86 (September 1992), 647–57.

to larger political purposes and are designed for, evolved in accordan with, or correspond to the distinctive contours of available political spac that is, the particular combination of constraints and opportunities th doom some forms of struggle while enabling others. With respect to th occurrence, timing, and persistence of the intifada, this conclusion ac cords, not only with the best substantiated and most frequently cite claims within the monographic works under review, but also, happil with the general direction taken by theorists of collective action over th last decade.

To be sure, a host of less popular explanations of mass collective ac tion, such as the crucial contribution of young people or the importan of the "entertainment value" of such activity, could also find corrobora tion within this body of work on the intifada.[47] In conclusion it is wort repeating, however, that there is at least one important explanation fo the nonoccurrence of collectively rational action that no writer on th intifada even implicitly uses to explain why the uprising took more tha twenty years to erupt. This unused line of argument is based on th *distortion of individual perceptions and calculations associated with he gemonic beliefs*. One might be tempted to infer support from this lacun for James Scott's strenuous rejection of hegemonic explanations for pat terns of collective inaction (at least among peasants).[48] It would be wron to do so, since neither Likud nor Labor governments in Israel have eve attempted to find a basis for advancing a hegemonic formula attractiv to Palestinians. Nevertheless, the very absence of attempts by Israel t mystify its domination of Palestinians in language that Palestinian might conceivably accept and the unavailability of a plausible basis fo such an appeal are themselves excellent reasons to predict that as long a the Palestinians remain in the occupied territories and under Israeli rule the collective-action problem will not be a decisive barrier against sudden rebellion or sustained resistance.

[47] Gordon Tullock, "The Paradox of Revolution," *Public Choice* 11 (1971). On the van guard role of youth in the uprising and the obvious thrill involved in confronting confuse Israeli soldiers in the first weeks of the uprising, see Stork (fn. 44), 67–81; Hunter, 67; Hil termann, 42, 210; Johnson and O'Brien with Hiltermann (fn. 36), 34; and Legrain (fn. 21 186.

[48] See Scott, *Weapons of the Weak* (New Haven: Yale University Press, 1985). For evidenc directly challenging Scott's thesis, see Susan C. Stokes, "Hegemony, Consciousness, and Po litical Change in Peru," *Politics and Society* 19, no. 3 (1991).

WHEN EFFECT BECOMES CAUSE

Policy Feedback and Political Change

By PAUL PIERSON*

østa Esping-Andersen. *The Three Worlds of Welfare Capitalism*. Princeton: Princeton University Press, 1990, 248 pp.
:ter Hall, ed. *The Political Power of Economic Ideas: Keynesianism across Countries*. Princeton: Princeton University Press, 1989, 406 pp.
ouglass C. North. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press, 1990, 152 pp.
heda Skocpol. *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States*. Cambridge: Belknap Press of Harvard University Press, 1992, 714 pp.

ACTIVE government is a central feature of modern life. In advanced industrial democracies, anywhere from 30 to 60 percent of ıP is filtered through government programs. In addition to these masve public systems of resource extraction and deployment, governments :ert a major influence on social relations through an unquantifiable but 'rvasive set of prohibitions and requirements. This extensive activity akes it very likely that, as E. E. Schattschneider argued over a half ntury ago, "new policies create a new politics."[1] Yet political scientists ere slow to incorporate Schattschneider's insight into their models of ›litics, treating policy as the result of political forces (the dependent ıriable), but rarely as the cause of those forces (the independent vari›le). In the past decade or so, this has ceased to be true. Scholars workg on a range of empirical issues have begun to emphasize that "policies oduce politics."

The massive twentieth-century expansion of the role of government ıs clearly contributed to this new orientation. Increasing government tivity made it harder to deny that public policies were not only outputs but important inputs into the political process, often dramatically reaping social, economic, and political conditions. Intellectual developents have also fostered this shift in research. The "postbehavioralist" rn toward investigating the structural constraints facing individual ac-

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[1] E. E. Schattschneider, *Politics, Pressures and the Tariff* (New York: Prentice-Hall, 1935), 8.

tors has led scholars working from a variety of perspectives to begin identifying the ways in which the formal and informal rules of the game in political and social life influence political behavior. To date, most analysis has centered on formal governmental institutions and political organizations.[2] However, major public policies also constitute important rules of the game, influencing the allocation of economic and political resources, modifying the costs and benefits associated with alternative political strategies, and consequently altering ensuing political development.

The increased scope of public policy and the close fit between the concept of policy feedback and a new social science agenda has fueled a growth of research on the topic. The emergence of a substantial and broadly persuasive literature on policy feedback represents a considerable achievement for what might be called a "historical institutionalist" approach to comparative politics.[3] Historical institutionalist analysis is based on a few key claims: that political processes can best be understood if they are studied over time; that structural constraints on individual actions, especially those emanating from government, are important sources of political behavior; and that the detailed investigation of carefully chosen, comparatively informed case studies is a powerful tool for uncovering the sources of political change. Yet if the scholarship discussed below suggests the strengths of this approach, it also reveals important limitations.

This new research raises the prospect of significantly improving our understanding of politics. However, while recent scholarship has emphasized that past policies themselves influence political struggles, moving from this general statement to more specific propositions about *how* policy structures matter has proven to be difficult. It is too easy to let a label substitute for an argument—a dangerous practice when the label is in fact an umbrella term covering a wide range of sometimes incompatible propositions about the political world. Asking how previous policy de-

[2] For a range of "new institutionalist" analyses, see Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985); James G. March and Johan P. Olsen, *Rediscovering Institutions: The Organizational Basis of Politics* (New York: Free Press, 1989); Kenneth A. Shepsle, "Studying Institutions: Some Lessons from the Rational Choice Approach," *Journal of Theoretical Politics* 1 (April 1989); and Stephen Skowronek, *Building a New American State: The Expansion of National Administrative Capacities, 1877–1920* (Cambridge: Cambridge University Press, 1982).

[3] In addition to the scholarship of Theda Skocpol reviewed in this essay, see, for example, Skowronek (fn. 2); Peter A. Hall, *Governing the Economy: The Politics of State Intervention in Britain and France* (Oxford: Oxford University Press, 1986); and Sven Steinmo, Kathleen Thelen, and Frank Longstreth, eds., *Structuring Politics: Historical Institutionalism in Comparative Analysis* (Cambridge: Cambridge University Press, 1992).

isions are being used to explain later developments quickly reveals not ne argument but many. Either these specific arguments are often not learly spelled out, or the scope of their application remains unexplored.

This essay investigates the range of arguments that lie behind the gen-ral label of policy feedback. Part of my purpose is to indicate the sheer ange of existing work, which provides compelling evidence that the nalysis of policy feedback constitutes a major research frontier in com-arative politics. The discussion also seeks to help scholars expand their nvestigations of policy feedback. Because researchers have not clearly pecified the range of ways in which policies can affect politics, they have often failed to identify important paths of influence. I will argue that here are significant feedback processes—particularly those directly af-ecting mass publics rather than bureaucrats, politicians, or organized roups—that have yet to receive sufficient attention. Indeed, there is rea-on to expect that the effects on mass publics may turn out to be the most mportant political consequences of government growth.

The main goal of this article, however, is to encourage improved use f an increasingly popular type of explanation. The broad claim that 'policies produce politics" has been important. Now that we know policy hoices have political consequences, however, what needs to be deter-nined is precisely how, when, and where particular effects are likely to ccur. We need to ask more complex questions about the extent and peration of feedback. Providing empirical support for specific claims is eyond the scope of this essay. However, it is possible to raise some cen-ral questions that deserve attention and to outline some plausible and estable hypotheses about the range and impact of various feedback ef-ects that would reward further study. A close investigation of existing esearch reveals that particular routes of inquiry are more promising han others. It also suggests that some of the most promising lines of esearch must draw heavily on work in other traditions, especially ational-choice theory, and that many of the most pressing questions will e difficult to answer through the case study approach that has been the favored tool of historical institutionalists.

The following discussion makes no attempt to offer a comprehensive evaluation of the works considered. In several instances, a focus on policy feedback was not the author's central interest. Yet each has made impor-tant contributions to an understanding of the political consequences of public policies. I begin by considering arguments about the ways in which policies provide resources and incentives for political actors, be-fore turning to arguments that concentrate on the cognitive conse-quences of public policies.

Policies as Producers of Resources and Incentives

Analyses that stress the ways in which political systems confer resources on individuals and create incentives for them are the bread and butter of contemporary political science. By virtue of their location within a political system, particular actors may have direct access to significant political assets. These may be material, but an even more important asset may be access to authority—the capacity to issue commands and take other steps with a reasonable expectation that others will accept these actions as legitimate. Political systems also create incentives, which do not directly confer resources but help to define the alternatives available to individual actors. Incentive structures influence the probability of particular outcomes and the payoffs attached to those outcomes. Individuals choose, but the conditions that frame their decisions provide strong inducements to make particular choices.

While often associated with rational-choice theory, it is worth stressing that these arguments are compatible with the central claims of many investigations operating outside that tradition. Often, the difference between rational-choice and ostensibly competing approaches concerns the explicitness of certain assumptions and the preferred methodologies rather than more fundamental disagreements about the major determinants of political action. For most political scientists operating both within and outside rational-choice frameworks, resources and incentives are key.

Given the scope of modern government, it would be hard to deny that public policies provide resources and incentives that may influence political action. Yet how, and how often, are these feedback effects important? Resource/incentive arguments have been used to support claims of significant policy feedback on social groups, government elites, and mass publics. Perhaps the most successful line of research on policy feedback emphasizes the resource/incentive effects of policies on *social groups*. If interest groups shape policies, policies also shape interest groups. The organizational structure and political goals of groups may change in response to the nature of the programs they confront and hope to sustain or modify.

Interest Group Effects

The activity of interest groups often seems to follow rather than precede the adoption of public policies. This is a central theme in Theda Skocpol's *Protecting Soldiers and Mothers*, which represents both a major contribution to our understanding of American social policy before the New Deal and a considerable theoretical achievement. More than any other

holar, Skocpol has been at the center of efforts to use historical institionalist analysis to understand the dynamics of policy feedback. *Pro-ting Soldiers and Mothers* provides her most sustained effort to show ›w these processes work in a particular historical case. The prominence ɩocpol gives to this variable suggests that, even before the arrival of ıig government," policy choices could have major political conse-ıences.

Skocpol identifies "changes in social groups and their political goals ıd capabilities" (p. 58) as one of two major types of policy feedback. In nphasizing the linkage between policies and interest groups, she echoes common theme. Jack Walker's detailed investigation of interest groups the United States, for example, noted that "the steady expansion of e federal government figures as one of the major causes of the recent owth of new organizational devices for linking citizens with their gov-nment."[4]

As in much of the research on policy feedback, however, arguments ›out the relationship between previous policies and patterns of interest ticulation are quite diverse, and analysts have not always been careful specify precisely what the relationship between the two variables ...ight be. Policies provide both incentives and resources that may facilitate or inhibit the formation or expansion of particular groups. The incentives stem primarily from the major social consequences of specific government actions. Public policies often create "spoils" that provide a strong motivation for beneficiaries to mobilize in favor of programmatic maintenance or expansion. Skocpol cites the case of Civil War pensions: "After initial legislative liberalizations, veterans became self-consciously organized and mobilized to demand ever improved benefits" (p. 59).

Exactly who is induced to mobilize will often depend on the precise nature of policy interventions. In an influential article, Weir and Skocpol suggested that a crucial difference between Swedish and U.S. social policies during the 1930s was that the former helped to cement a farmer/worker political alliance while the latter did not. The Swedish Social Democrats devised a system of price supports without production controls that was attractive to small farmers. The structure of New Deal agricultural policies, by contrast, activated affluent farmers who had little inclination to establish common cause with urban workers:

> Rather than enduringly uniting labor with those farmers who would benefit most from increased domestic consumption and state interventions in agriculture, the New Deal ended up joining together larger, commercially well-established, export-oriented southern cotton producers with better-

[4] Jack L. Walker, Jr., *Mobilizing Interest Groups in America: Patrons, Professions and Social Movements* (Ann Arbor: University of Michigan Press, 1991), 54.

> off midwestern corn and wheat farmers oriented to domestic as well as international markets. This cross-regional alliance, which took shape from the middle 1930s, was embodied in the American Farm Bureau Federation (AFBF), an organization that became very influential in Congress . . . [and] frequently cooperated with the conservative alliance of southern Democrats and Republicans in Congress to oppose many urban liberal Democratic initiatives.[5]

It is important to stress that new policies do not only provide incentives for supporters. Initiatives may also fuel countermobilizations involving novel forms of political organization. David Vogel's analysis of the response of American business to the regulatory initiatives of the late 1960s and early 1970s provides an excellent example of how policy feedback generated new structures of interest representation:

> Among the most distinctive features of the regulatory statutes enacted during the first half of the 1970s was precisely that they were not directed toward specific industries. Rather, they sought to change the behavior of companies in a wide variety of different industries. This made many business executives much more conscious of their common or class interests, which in turn led to both the formation and revival of political organizations that represented firms in many different industries, such as the Business Roundtable, the United States Chamber of Commerce, and the National Federation of Independent Business.[6]

Policy designs can also create niches for political entrepreneurs, wl may take advantage of these incentives to help "latent groups" overcor collective action problems.[7] The history of the now-formidable Amei can Association of Retired People (AARP) illustrates this feedback proce The inadequacy of health care benefits for the elderly provided the AA

[5] Margaret Weir and Theda Skocpol, "State Structures and the Possibilities for 'Keyn ian' Responses to the Great Depression in Sweden, Britain and the United States," in Eva Reuschemeyer, and Skocpol (fn. 2), 143–44. The Farm Bureau's development has bc widely linked to policy feedback, even by scholars not inclined to emphasize the independe role of government activity. In his classic study of interest groups, Mancur Olson argues th "the Farm Bureau was created by the government." Olson, *The Logic of Collective Actio Public Goods and the Theory of Groups* (Cambridge: Harvard University Press, 1965), 14 David B. Truman also identified "the aid of federal officials" as important in launching t Farm Bureau. Truman, *The Governmental Process* (New York: Alfred A. Knopf, 1971), 8 93. On policy feedback in agriculture, see also Terry M. Moe, *The Organization of Interes Incentives and the Internal Dynamics of Political Interest Groups* (Chicago: University of Ch cago Press, 1980), 181–91; Richard Valelly, *Radicalism in the States: The Minnesota Farme Labor Party and the American Political Economy* (Chicago: University of Chicago Press, 198 and John Mark Hansen, *Gaining Access: Congress and the Farm Lobby, 1919–1981* (Chicag University of Chicago Press, 1991), chaps. 2–3.

[6] David Vogel, *Fluctuating Fortunes: The Political Power of Business in America* (New Yor Basic Books, 1989), 13–14.

[7] On the importance of political entrepreneurs, see Mancur Olson (fn. 5); Russell Hard *Collective Action* (Baltimore: Johns Hopkins University Press, 1982), 35–37; and Moe (fn. 5 37–39.

with a niche for activity. The sale of health insurance prior to the enactment of Medicare, and of "Medigap" policies since then, has provided a strong "selective incentive" for individuals to join AARP. These conditions promoted the development of an elderly lobby that is unmatched in other countries.[8]

Not only do public policies create incentives for interest group activities, they may also provide resources that make that activity easier. The political influence of groups varies dramatically; some are central actors in the development of policy, while others are ineffectual, forced to accept gains and losses determined elsewhere. Public policies can clearly "feed back" into politics in this respect, too. Policies can have an effect on the resources of groups and the ability of groups to bring those resources to bear on decision makers.

Sometimes government policies create interest group resources in a straightforward sense, as when legislation provides funding to favored organizations or provides incentives for individuals to join particular groups (e.g., by banning or harassing alternative organizations). In a compelling essay on the development of the Swedish labor movement, Bo Rothstein has demonstrated that policy designs that gave unions authority over unemployment funds provided a crucial impetus to the development of powerful labor confederations.[9] Union administration of these funds gave workers a strong "selective incentive" to become union members. Rothstein's comparative analysis indicates that union density rose rapidly and stabilized at higher levels in countries that adopted this particular design for unemployment insurance.

Policies may also strengthen particular groups by increasing their access to decision makers. The literature on corporatism contains many examples of this kind of process.[10] Governments pursuing a complicated social and economic agenda adopted policies that brought important social actors (usually business associations and labor confederations) directly into the decision-making process. Essentially, these governments tried to increase their effectiveness by trading expanded group access to policymakers for group acquiescence to current initiatives. Many critics of these initiatives argued that this expansion of group access eventually

[8] See, for example, Christine L. Day, *What Older Americans Think: Interest Groups and Aging Policy* (Princeton: Princeton University Press, 1990). Thanks to Kent Weaver for bringing this example to my attention.

[9] Bo Rothstein, "Labor Market Institutions and Working-Class Strength," in Steinmo, Thelen, and Longstreth (fn. 3).

[10] Philippe Schmitter and Gerhard Lehmbruch, eds., *Trends toward Corporatist Intermediation* (Beverly Hills, Calif.: Sage, 1979); Suzanne Berger, ed., *Organizing Interests in Western Europe* (Cambridge: Cambridge University Press, 1981); and John H. Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism* (Oxford: Oxford University Press, 1984).

undermined the ability of state actors to govern effectively.[11] Students of regulatory "capture" have picked up on a similar phenomenon. Interventionist government policies often have the paradoxical effect of making the success of particular policies dependent upon group-controlled resources (e.g., information, skilled personnel). This dependence in turn enhances the ability of groups to turn their preferences into government policy.[12]

There is, then, significant research suggesting feedback effects on group formation and activity. All of this, however, remains illustrative. How common are these feedback effects? Under what circumstances are they likely to occur? The answer is that we do not know, and cannot know until research is designed specifically to address these questions. Progress can be made from two directions. In many cases, one can start with policies themselves and demonstrate the presence or absence of links to specific group activities. Where policies provide tangible resources (e.g., formalized access, financing), these connections should be easy to trace. At the same time, research can begin with the interest groups themselves and seek to draw linkages back toward policies. It is probably easier, for example, to first identify the selective incentives that groups are using to overcome collective action problems and then work backward to determine if government policies produced those selective incentives.

In addition, two more specific approaches may shed further light how policy-created resources and incentives affect interest groups. Fi policy feedback is likely to be most consequential in issue-areas (or countries, e.g., those of postcommunist Eastern Europe) where inter group activity is not yet well established. Recent research on "path c pendency"—including the work of Douglass North to be discussed b low—suggests the importance of focusing on the formative moments f institutions and organizations.[13] Even where the influences of policy o social groups seem relatively modest, small effects at crucial junctu may make a profound difference. Factors that give one set of organiz tions an initial advantage—even a small one—are likely to become se

[11] See, for example, Samuel Brittan, *The Role and Limits of Government: Essays in Polit Economy* (London: Temple Smith, 1983).

[12] Grant McConnell, *Private Power and American Democracy* (New York: Random Hou 1966); George J. Stigler, "The Theory of Economic Regulation," *Bell Journal of Econom and Management Science* 2 (Spring 1971).

[13] For interesting discussions of path dependency, see Stephen Krasner, "Approaches the State: Alternative Conceptions and Historical Dynamics," *Comparative Politics* 16 (Jan ary 1984); and Ruth Berins Collier and David Collier, *Shaping the Political Agenda: Criti Junctures, the Labor Movement, and Regime Dynamics in Latin America* (Princeton: Princet University Press, 1991), chap. 1.

reinforcing. Costs of starting up competing organizations are generally high, and as a result the incentives for individuals to invest in "proven" institutions are substantial. High "barriers to entry" mean that established interest organizations will tend to maintain themselves unless their performance is very poor. Recent research on the women's movement in the United States during the early 1960s is suggestive. In a context where interest organizations were largely absent, even the relatively weak policy initiatives of the federal government (such as the establishment of a network of state commissions that subsidized communications within the movement) proved consequential for patterns of interest group development.[14]

Circumstances where governments can use a variety of instruments to achieve the same policy goals provide another good opportunity to study resource/incentive feedback on social groups. For example, farm incomes can be maintained through government purchases of surplus produce, price supports, or transfer payments to farmers. Although each option would provide income for farmers, the different policies might have quite different consequences for interest group development. Comparative analyses that examine the use of different policy instruments to achieve similar goals can determine if the variation in instruments has political consequences. These investigations could clarify how specific characteristics of policies promote particular patterns of interest group formation and activity. Doing so would provide a stronger basis for moving beyond persuasive case studies to some broader propositions about the impact of policy feedback on interest groups.

Policies and the Resources and Incentives for Government Elites

According to Skocpol, the second major type of policy feedback is the transformation of state capacities. "Because of the official efforts made to implement new policies using new or existing administrative arrangements," she writes, "policies transform or expand the capacities of the state. They therefore change the administrative possibilities for official initiatives in the future, and affect later prospects for policy implementation" (p. 58).

It does indeed seem plausible that policy initiatives—which are, after all, the central undertakings of public officials—may provide resources and incentives affecting the capacities of government elites. Yet of all the dimensions of policy influence reviewed in this essay, those linking the resources and incentives generated by existing policies to the actions of

[14] Georgia Duerst-Lahti, "The Government's Role in Building the Women's Movement," *Political Science Quarterly* 104 (Summer 1989).

government elites seem the least well established. In part, this shortcoming reflects continuing uncertainty about the nature and limits of the political power wielded by government authorities.

Administrative resources are obviously important. The viability of policy initiatives often requires the presence of coherent bureaucratic organizations staffed by well-trained, experienced, and respected officials. A number of analysts have recently stressed the impact of policy feedback on state administrative capacities. For example, Weir and Skocpol's research on government responses to the Great Depression suggests that previous policy choices in Sweden helped to produce the administrative apparatus that allowed state actors to pursue a Keynesian agenda.[15] Unemployment insurance was not well established in Sweden, but public works programs were, and the latter provided a good "bridge" to the development of Keynesian policies. Britain, by contrast, found that its preexisting administrative organizations, derived from the previous development of unemployment insurance policies, were far better suited to an expansion of unemployment benefits than to developing a new system of public works and other job creation efforts.

G. John Ikenberry's analysis of United States energy policy in the 1970s points to a similar dynamic.[16] Previous energy policies had hindered the development of administrative capacities that would have given political elites the knowledge and managerial experience necessary to intervene extensively in energy exploration and development. As Ikenberry concludes, when American policymakers sought responses to the energy crisis of the 1970s, "the institutional legacy of the past weighed heavily on proposals for change. In particular, the scarcity and fragmentation of bureaucratic expertise and operational capacities provided few bases from which to build new government powers and responsibilities."[17]

However, analyses that emphasize feedback effects on the administrative capacities of government actors are sometimes hazy about just what the critical features of these capacities might be. Most studies of the development of generalized bureaucratic competence (i.e., the establishment of a stable, prestigious civil service) have emphasized a range of contributing factors, such as the timing of democratization and the significance of external military pressures.[18] Specific policy initiatives, on the

[15] Weir and Skocpol (fn. 5), 123–25, 129–32.

[16] G. John Ikenberry, *Reasons of State: Oil Politics and the Capacities of American Government* (Ithaca, N. Y.: Cornell University Press, 1988).

[17] Ibid., 44.

[18] Perry Anderson, *Lineages of the Absolutist State* (London: Verso, 1974); Charles Tilly

other hand, seem far more likely to have an impact on the development of specialized administrative skills. Thus, the significance of feedback turns on which type of administrative capacity is deemed to be important. Where general bureaucratic capacities are easily transferred from one domain to another, policy feedback is likely to be of little relevance. Future research could usefully concentrate on the circumstances under which policies generate an expansion of relatively specialized but important administrative skills. Such effects are likely to be limited to situations where new government actions require highly intrusive and complex actions for implementation and oversight.

Discussions of policy feedback on governmental elites share a problem common to this whole field of research. Illustrations of particular effects are easy to find and often persuasive, but general propositions about the frequency with which such effects will occur and the circumstances that make them more or less likely are rare. In this particular instance, limitations in our understanding of the position of state actors compound the problem. It has become a commonplace that states vary in their capacities to carry out particular activities.[19] However, our understanding of what the critical features are that make state actors "strong" or "weak" remains relatively limited. In this context, work on this dimension of policy feedback clearly has a long way to go.

Feedback Effects on Mass Publics

Resource/incentive arguments have generally explored the impact of policy feedback on organized interests and government elites. However, public policies also provide resources and create incentives for mass publics. Unless these resources and incentives directly induce political action, they are unlikely to attract the attention of political scientists. Perhaps it is not surprising then that the most detailed examination of how the resources generated by public policies affect mass publics is the recent work of a sociologist, Gøsta Esping-Andersen. In *The Three Worlds of Welfare Capitalism*, Esping-Andersen makes a strong plea for greater attention to policy feedback:

> The present challenge for comparative research is to study welfare states in their role as independent, causal variables. . . . The welfare state is be-

Coercion, Capital and European States, A.D. 990–1992 (Oxford and Cambridge: Blackwells, 1992).

[19] Peter J. Katzenstein, "Conclusion: Domestic Structures and Strategies of Foreign Economic Policy," in Katzenstein, ed., *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States* (Madison: University of Wisconsin Press, 1978); John Zysman, *Governments, Markets and Growth: Financial Systems and the Politics of Industrial Change* (Ithaca, N.Y.: Cornell University Press, 1983).

coming deeply embedded in the everyday experience of virtually every citizen. Our personal life is structured by the welfare state, and so is the entire political economy. Given the magnitude and centrality of the welfare state, it is indeed unlikely that we shall understand much of contemporary society unless it becomes part of our models. (p. 141)

Welfare states provide resources and incentives to individuals that profoundly influence crucial life choices: what kind of job to take, when to retire or take time off from the paid labor force, how to organize and divide household tasks such as child rearing. The welfare state, Esping-Andersen argues, "is a midwife of post-industrial employment evolution." His central argument is that "different welfare-state/labor-market interactions produce different post-industrial trajectories" (p. 192).

Esping-Andersen's detailed investigation of social policy and occupational structures in the United States, Sweden, and Germany persuasively links public policy structures to the socioeconomic circumstances of mass publics. Emerging variations in the rate of growth of service industries, the relative weight of social services as opposed to personal services, the skill and occupational composition of the labor force, and the distribution of jobs by gender and racial or ethnic background can all be traced in part to previous policy choices. What *The Three Worlds of Welfare Capitalism* does not do in more than a cursory way is investigate how these shifts in the circumstances of mass publics influence political processes. But the importance of the transformations Esping-Andersen identifies suggests that such an investigation would probably yield rich returns.[20]

The most promising avenue for research is the possibility that policies provide incentives that encourage individuals to act in ways that *lock in a particular path of policy develoment*. This claim can be derived from the central arguments of Douglass North's *Institutions, Institutional Change and Economic Performance*. North's goal is to explain the failure of economic performance in different countries to converge over time. In a careful but wide-ranging analysis grounded in rational-choice theory, he stresses the ways in which institutional arrangements, once adopted, may lead quite rational actors to behave in ways that are collectively subopti-

[20] For an analysis that suggests how such links might be drawn, see Peter Swenson, "Labor and the Limits of the Welfare State: The Politics of Intraclass Conflict and Cross-Class Alliances in Sweden and West Germany," *Comparative Politics* 23, no. 4 (1991). Esping-Andersen himself did explore the political consequences of policy choices in an earlier work, *Politics against Markets: The Social Democratic Road to Power* (Princeton: Princeton University Press, 1985). This analysis is rather murky on the question of exactly how policy feedback influences political change. In Esping-Andersen's account policies seem to provide some combination of resources, material incentives, and cognitive signals that encourage certain patterns of political behavior.

mal. In developing his argument, North draws heavily on economic historians' discussions of the development of technology. I will begin by summarizing this research, will review North's application of the analysis to institutions, and then will suggest how it can be extended to the study of policy feedback.[21]

Economic historians using the assumptions of neoclassical economics have recently demonstrated that under certain conditions the development of technology will not proceed toward the most economically efficient alternatives. The "QWERTY" typewriter keyboard is a classic example. Although more efficient alternatives to QWERTY quickly emerged, there were strong pressures to develop an industry standard. In this instance, being relatively well established was more important than being best. Alternative keyboard types could not gain a foothold in the industry, and the QWERTY standard was effectively locked in.[22] Under what conditions are such outcomes likely? Brian Arthur has identified the following factors:

—*Large set-up or fixed costs*. If initial costs are a high proportion of total expenses, there are likely to be increasing returns to further investment in a given technology, providing individuals with a strong incentive to identify and stick with a single option.

—*Learning effects*. Large learning effects, which may lower product costs or improve their use as prevalence increases, provide an additional source of increasing returns.

—*Coordination effects*. In many cases, the advantages an individual derives from a particular activity depend on the action of others. These effects may encourage coordination with others in adopting a single option.

—*Adaptive expectations*. If it is important for individuals to "pick the right horse"—because options that fail to win broad acceptance will have drawbacks later on—individual expectations about usage patterns may become self-fulfilling.[23]

The existence of lock-in effects in the development of technology is now generally accepted, but one can legitimately ask whether this excursion into economic history has any relevance to the current discussion. North argues persuasively that it does. The factors Arthur identifies as contributing to technological lock-in—increasing returns and high fixed costs, learning effects, coordination effects, and adaptive expectations—

[21] For a more complete summary, see North, 93–95.

[22] Paul David, "Clio and the Economics of QWERTY," *American Economic Review* 75 (May 1985).

[23] W. Brian Arthur, "Self-Reinforcing Mechanisms in Economics," in Philip W. Anderson, Kenneth J. Arrow, and David Pines, eds., *The Economy as an Evolving Complex System* (Reading, Mass.: Addison-Wesley, 1988); W. Brian Arthur, "Competing Technologies, Increasing Returns, and Lock-In by Historical Events," *Economic Journal* 99 (March 1989).

are often characteristic of institutions. Consequently, one could antici pate the same kinds of historical processes, in which initial choice o institutional design had long-term implications for economic and politi cal performance.

This argument can easily be applied to public policies as well. Nortl defines institutions broadly as "the rules of the game in a society or, mor formally, . . . the humanly devised constraints that shape human inter action" (p. 3). This definition would seem to encompass public policie as well as what we conventionally recognize as institutions, since policie clearly do establish rules and create constraints that shape behavioı The specific example North uses to illustrate his argument about patl dependence is instructive. The Northwest Ordinance was a quasi constitutional initiative, outlining the basic rules of the game for "th governance and settlement of the vast area of land in the West and . . a framework by which the territories would be integrated into the nev nation" (p. 97). In this respect, it resembles a formal institution. How ever, the Northwest Ordinance was also "a specific legislative enact ment"—that is, a public policy.

By choosing such a legalistic, foundational initiative that created sucl straightforward rules of the game, North obscures the broad applicatior of his argument to policy feedback. Policies may create incentives tha encourage the emergence of elaborate social and economic networks greatly increasing the cost of adopting once-possible alternatives and inhibiting exit from a current policy path. Major policy initiatives have major social consequences. Individuals make important commitments in response to certain types of government action. These commitments, in turn, may vastly increase the disruption caused by new policies, effectively "locking in" previous decisions.

Like more formal institutions, public policies operating in a context of complex social interdependence will often generate increasing returns as well as high fixed costs, learning effects, coordination effects, and adaptive expectations. For example, housing and transportation policies in the United States after World War II encouraged massive investments in particular spatial patterns of work, consumption, and residence. Once in place, these patterns sharply constrained the alternatives available to policymakers on issues ranging from energy policy to school desegregation.[24]

Many of the individual commitments that locked in suburbanization

[24] Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (Oxford: Oxford University Press, 1985), esp. chap. 11; Michael N. Danielson, *The Politics of Exclusion* (New York: Columbia University Press, 1976).

vere literally cast in concrete, but this need not be the case. Policies may :ncourage individuals to develop particular skills, make certain kinds of nvestments, purchase certain kinds of goods, or devote time and money o certain kinds of organizations. All these decisions generate sunk costs. That is to say, they create commitments. In many contexts, policies may ush individual behavior onto paths that are hard to reverse.

Research on Reagan and Thatcher's social policies provides a good llustration of the wide scope of these policy feedbacks.[25] Reagan's inibility to restructure public pensions can be partly attributed to lock-in rocesses. Since 1939, Social Security in the United States has operated n a pay-as-you-go basis: current benefits are paid out of current contriutions; each working generation pays for the previous generation's reirement. Once such a system matures, it becomes essentially locked-in. Because the currently retired generation has made irreversible commitnents based on the existence of a public system of old-age pensions, movng to a private system (which would necessarily be financed by earnings n invested contributions) creates a "double-payment problem"; current vorkers would have to finance both their parents' retirement and their wn. This made any major privatization initiative in the United States mthinkable. By contrast, because of the constant alternation of Conservative and Labour governments during the 1960s and 1970s, Britain failed to develop a mature earnings-related scheme. With the "doublepayment" problem far less prominent, the Thatcher government did not face the policy lock-in confronted by Reagan, and was able to engineer a major shift in policy toward private provision of retirement income.

In contrast to the other "feedback" examined here, this discussion of lock-in has generally not drawn on the political science literature concerned with public policy determination. Analysts have been slow to build an examination of lock-in processes into their models of political development.[26] Instead, groundbreaking work has been done by economic historians and students of industrial organization. One reason for this lack of attention is that feedback effects of this kind have a tendency to depoliticize issues. By accelerating the momentum behind one policy path, they render previously viable alternatives implausible. The result

[25] Paul Pierson, " 'Policy Feedbacks' and Political Change: Contrasting Reagan and Thatcher's Pension-Reform Initiatives," *Studies in American Political Development* 6 (Fall 1992).

[26] Interestingly, within political science the idea of "lock-ins" (though focusing on institutions rather than policies) has mainly been utilized in the field of international relations. See for example Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984), 100–106. Keohane draws on Arthur Stinchcombe's analysis of sunk costs. See Stinchcombe, *Constructing Social Theories* (New York: Harcourt, Brace, 1968), 120–25.

is often not conflict over the foregone alternative (which political scientists would generally be quick to identify), but the absence of conflict. In Bachrach and Baratz's terms, "lock-in" leads to "non-decisions."[27] Another problem is that comparative analysis is probably required to study policy lock-ins. An analyst needs a comparative case where lock-in has not occurred to identify the political effects of policy feedbacks.

Instances of "policy lock-in" are probably widespread. Many public policies create or extend patterns of complex social interdependence in which microeconomic models of isolated, independent individuals smoothly and efficiently adapting to new conditions do not apply.[28] Future research should strive to identify the circumstances under which policy initiatives are likely to produce lock-in, altering the prospects for new initiatives at a later date. The characteristics identified by David, modified to incorporate aspects of social as well as technological complexity, provide an excellent starting point for this research. Lock-in effects are likely to be important when public policies encourage individuals to make significant investments that are not easily reversed, and when actors have strong incentives to coordinate their activities and to adopt prevailing or anticipated standards. Policies that involve high levels of interdependence and where intervention stretches over long periods are particularly likely sites for lock-in effects. Infrastructure policies (communications, transportation, and housing) are good examples, but the pensions case considered above raises the prospect of considerably broader applications.

Policies do create powerful packages of resources and incentives that influence the positions of interest groups, government elites, and individual social actors in politically consequential ways. However, analysts have so far failed to tap the full range of these arguments, and efforts to develop and test clear claims about the generalizability of many of these feedback effects have hardly begun. I now want to suggest that the existence of a range of arguments emphasizing the "interpretive effects of public policies"—the impact of policies on the cognitive processes of social actors—further complicates the task. In some cases, these arguments constitute explanatory alternatives to the arguments already con-

[27] Peter Bachrach and Morton Baratz, "Two Faces of Power," *American Political Science Review* 56 (1962).

[28] For a pathbreaking study of networks of social interdependence, see Thomas C. Schelling, *Micromotives and Macrobehavior* (New York: W. W. Norton, 1978). The contribution of public policies to the development of these social networks is discussed in more detail in Fred Hirsch, *Social Limits to Growth* (Cambridge: Harvard University Press, 1976); and Alfred E. Kahn, "The Tyranny of Small Decisions: Market Failures, Imperfections, and the Limits of Economics," *Kyklos* 19 (1966).

idered; in other cases, they offer promising opportunities to supplement r enrich those accounts.

Policies as Sources of Information and Meaning

nterpretive arguments stress that an exclusive focus on material re-ources and incentives is psychologically anemic.[29] The process through which individuals choose a course of action does not involve a simple alculation of easily discernible costs and benefits. A viable theory of ac-on must take into account the fact that all actors have to cope with verwhelming complexity and uncertainty, and that they use a wide ange of cognitive shortcuts in order to make sense of the social world. 'urthermore, analysts must recognize that knowledge itself is a critically :arce resource, distributed in a highly unequal fashion. Starting from n emphasis on problems of interpretation leads to quite different ques-ons about the impact of "the rules of the game." How do these rules (in iis case, public policies) influence the manner in which social actors iake sense of their environment? How do policies influence the distri-ution of information, and the impact of that distribution on political utcomes?

'ublic Policies and Learning Effects

'o date, applying an interpretive approach to policy feedback has gen-rally meant depicting policy development as a process of political learn-ig. A number of scholars have stressed the importance of "learning ef-:cts" in policy-making. Political learning arguments focus on idividuals at or near the center of the policy-making process and em-hasize problems of bounded rationality and uncertainty. Hugh Heclo ummarized this perspective in an early but still influential formulation:

> Politics finds its sources not only in power but also in uncertainty—men collectively wondering what to do. Finding feasible courses of action includes, but is more than, locating which way the vectors of political pressure are pushing. Governments not only "power" (or whatever the verb form of that approach might be); they also puzzle. Policy-making is a form of collective puzzlement on society's behalf; it entails both deciding and knowing.[30]

[29] For an introduction to the ways in which these kinds of arguments are reshaping instiutional analysis, see March and Olsen (fn. 2); and Walter W. Powell and Paul J. DiMaggio, ds., *The New Institutionalism in Organizational Analysis* (Chicago: University of Chicago 'ress, 1991).

[30] Hugh Heclo, *Modern Social Politics in Britain and Sweden* (New Haven: Yale University 'ress, 1974), 305.

Implicitly or explicitly, policy learning arguments build on work decision-making and organizational theory that emphasizes the vari of techniques (e.g., satisficing, incrementalism) used to cope with limi cognitive capacities.[31]

The depiction of political development as a learning process is son times presented in sweeping terms. Heclo, for example, talks of "so learning" and "political learning" and identifies a number of sources such effects. Prominent among them, however, is the impact of pre ously adopted public policies, and it is these "policy-learning" effects t are relevant here. Important political actors may become aware of pr lems as a result of their experiences with past initiatives. The setting a new agenda and the design of alternative responses may build on (p ceived) past successes or may reflect lessons learned from past mistak

Heclo's study of the Swedish and British welfare states was the fi sustained effort to investigate this dimension of policy feedback. though he acknowledged that there were other important sources learning, he identified the impact of previous policy as "probably [t most pervasive manifestation of political learning in the development social policy."[32] According to Heclo, policymakers have tended to fra new problems in terms that make it possible to draw on already est lished policy designs:

> Policymakers may not exactly salivate at the sound of the usual bell, but there is something of a conditioned reflex in a great deal of their behavior. Once implemented, a technique such as social insurance has tended to be readopted, to be considered the "natural" policy response for other types of income risk.... The incrementalism pervasive in policy making is one manifestation of the more general tendency to respond by analogizing. Typically, steps taken with regard to a new situation are small (compared to the almost infinite variety of possible responses) because the new situation is responded to like something already known, or some element of it. It is this facet of learning that more than anything lies at the heart of the essentially liberal continuity evident in social policy since the first insurance efforts to deal with the cumulative insecurity of industrial society. The inheritance of income maintenance policies has served as a path through the immense complexity facing social policy makers and has facilitated the creation of subsequent responses.[33]

In this passage, the link to the work of Simon, Lindblom, and others incrementalism is particularly clear. Overwhelmed by the complexity

[31] See, for example, Herbert A. Simon, *Models of Man* (New York: Wiley, 1957); Charl E. Lindblom, "The 'Science' of Muddling Through," *Public Administration Review* (Spring 1959); and James G. March, "Bounded Rationality, Ambiguity, and the Engineeri of Choice," *Bell Journal of Economics* 9 (Autumn 1978).

[32] Heclo (fn. 30), 315.

[33] Ibid., 315–16.

he problems they confront, decision makers lean heavily on preexisting policy frameworks, adjusting only at the margins to accommodate distinctive features of new situations.

These learning processes emerge as a significant theme in *The Political Power of Economic Ideas*, edited by Peter Hall. Noting that, despite perceptions of a sweeping "Keynesian revolution," the reception of Keynes' ideas was highly uneven across nations, Hall and his collaborators seek to uncover the reasons for this variation. Among the factors considered in this rich volume is the impact of "prior experience with related policies . . ."—the hypothesis that "states will be predisposed towards policies with which they already have some favorable experience, and even the demands of political parties and interest groups may be based on their conceptions of . . . existing policy legacies" (p. 11). Bradford Lee, for example, argues that the resistance of French, British, and American policymakers to proto-Keynesian ideas in the early 1930s was rooted in "lessons" learned from previous experiences, such as the inflationary policies followed after World War I and the escalating demands for redistribution that many political actors linked to the growth of the modern state.[34]

Lee's argument suggests that an incremental, cumulative process is not the only possible form of policy learning. Policymakers may also react negatively to previous policies, fashioning new initiatives to address perceived failures. Heclo makes room in his account for negative learning, noting that "probably the single most important force molding the policies discussed in this volume was the reaction against the poor law. Without exception, the point of departure for reformers of all parties in both Britain and Sweden was the desire to find something better than the opprobrious poor law for the deserving poor."[35]

Although she does not employ the language of policy learning, this is in essence the process described in Skocpol's analysis of Civil War pensions in the United States (pp. 155–58, 531–33).[36] Perceived by key middle-class reformers as a scandalous example of patronage politics, Civil War pensions were not used as a blueprint for new, incremental extensions of government activity. On the contrary, important political actors drew negative conclusions, which served as a check on the emer-

[34] Bradford A. Lee, "The Miscarriage of Necessity and Invention: Proto-Keynesianism and Democratic States in the 1930s," in Hall, 129–70.

[35] Heclo (fn. 30), 317.

[36] See also Ann Shola Orloff and Theda Skocpol, " 'Why Not Equal Protection?': Explaining the Politics of Public Social Spending in Britain, 1900–1911, and the United States, 1880s–1920," *American Sociological Review* 49 (December 1984); and Ann Shola Orloff, "The Political Origins of America's Belated Welfare State," in Margaret Weir, Ann Shola Orloff, and Theda Skocpol, eds, *The Politics of Social Policy in the United States* (Princeton: Princeton University Press, 1988).

gence of significant federal social expenditure programs in the pre-Nev Deal era. Negative learning had a major impact on the policy agenda and political strategies of middle-class reform groups.

Despite the appeal of this line of argument, there are several difficul ties in the work on policy learning. First, there are uncertainties abou who is doing the learning. Heclo's account stresses the role of civil ser vants: "Forced to choose one group among all the separate political fac tors as most consistently important . . . the bureaucracies of Britain an Sweden loom predominant in the policies studied." Most influential, h adds, are "middlemen at the interfaces of various groups. These hav been men with transcendable group commitments, in but not always o their host body."[37] The process Heclo describes is one populated by ex perts working in small groups to develop new policy blueprints. How ever, social groups, like bureaucrats and politicians, may derive lesson from previous initiatives. It is the former who are judged to be of partic ular importance in Skocpol's account.

There are questions, then, about the circumstances under whicl "learning effects" on state actors or social groups will be most importan Hall makes progress on this issue in a recent essay, distinguishing thre levels of policy change, and arguing that the learning process will not b identical in the three cases.[38] First-order change alters the settings of pol icy instruments while the instruments used and the goals of policy re main constant. Second-order change modifies instruments as well as set tings; while third-order change, which marks a clear break with pas practice, involves simultaneous shifts in settings, instruments, and goals. Hall argues that in the relatively incremental processes of first- and sec ond-order change, the learning process is likely to be highly technical and relatively insulated, with bureaucrats playing a central role. Third-order change, by contrast, involves a wider range of actors and is more "sociological" and "political" in character.

Hall's effort to disaggregate broad concepts like policy learning and develop more specific propositions about when a particular feedback will operate is precisely what is needed to push the discussion forward. Although one would need to look beyond Hall's single case of macroeconomic policymaking for further support, this claim that major departures from past policies are likely to involve a broader range of political actors and increased contestation seems plausible. But Hall's account

[37] Heclo (fn. 30), 301, 308.

[38] Peter A. Hall, "Policy Paradigms, Social Learning and the State: The Case of Economic Policy-Making in Britain," *Comparative Politics* (forthcoming). See also idem, "Conclusion: The Politics of Keynesian Ideas," in Hall, 361–91.

oes raise the serious question of whether the most interesting process hird-order change), which involves the mobilization of substantial poical resources in favor of a new policy agenda, can best be described as process of learning.

A second difficult issue for policy-learning arguments regards the dyamics of the learning process. Why does "learning" sometimes produce ositive conclusions and incremental policy change and at other times enerate negative conclusions and reactive policy shifts? As Hall acnowledges, "It is all very well to say that policy makers are influenced y the lessons drawn from past policy experiences, but the lessons that istory provides us with are always ambiguous" (p. 362). Although hindight may lead one to say "success" encourages repetition, defining sucess and failure is necessarily a sociological and political process. Two rominent examples from recent American history illustrate the probem. The key policy decisions of the Johnson administration—the puruit of a war in Vietnam and the pursuit of a "War on Poverty" at ome—have been widely held to contain "lessons" of relevance to future olicy. However, the nature of the appropriate lessons is unclear and itterly contested.[39]

Hall's account does offer some suggestions about when policies are likely to be perceived as failures. Drawing on Kuhn's concept of scientific paradigms, he argues that learning connected to third-order change (paradigm shifts, or what I have here termed negative learning) is likely "to involve the appearance of anomalies, . . . developments that are not fully comprehensible, even as puzzles, within the terms of the [existing] paradigm." But it remains unclear whether this provides a clear guide, except perhaps *ex post*, to the circumstances when policies will be regarded as failures. The complexity and multiplicity of policy interventions, combined with the uncertainty of the links between interventions and outcomes, will generally leave considerable room for dispute.[40]

The fact that policy "success" is often contested suggests a substantial indeterminacy to the learning process. Perhaps the best way to describe the impact of public policies is to say that they provide part of what Ann Swidler has called a "tool kit" of symbols and arguments that actors use

[39] On Vietnam, see David Fromkin and James Chace, "What *Are* the Lessons of Vietnam?" *Foreign Affairs* 63 (Spring 1985). On the War on Poverty, consider the contrasting lessons drawn in Charles Murray, *Losing Ground: American Social Policy, 1950–1980* (New York: Basic Books, 1984); and John E. Schwartz, *America's Hidden Success: A Reassessment of Public Policy from Kennedy to Reagan*, rev. ed. (New York: W. W. Norton, 1987). I am grateful to Peter Hall for suggesting these examples to me.

[40] Henry J. Aaron, *Politics and the Professors: The Great Society in Perspective* (Washington, D.C.: Brookings Institution, 1978).

in their efforts to assemble meaningful interpretations of the wor around them.[41] Robert Jervis has stressed that because individuals se to maintain cognitive consistency, they are strongly inclined "to fit i coming information into pre-existing beliefs and to perceive what th expect to be there," to "ignore information that does not fit," or to "tw it so that it confirms" beliefs already held.[42] Swidler's and Jervis's arg ments suggest that proponents of policy-learning arguments face daunting task. Past policies do help frame discussions of new initiativ but not in any straightforward fashion. To be convincing, policy learni arguments must offer clearer propositions about the conditions that le particular actors to view previous initiatives in positive or negative term Further, they need to show that the policies have some significant *ind pendent* impact on actors' political behavior, rather than simply contri uting to actors' accounts of their actions.

Finally, there is a pressing need to establish the range of circumstanc under which policy-learning arguments are likely to be persuasive. governments both "power" and "puzzle," when should we expect to s one process or the other predominate? In this respect, policy-learnir arguments have also suffered from an emphasis on *illustrating* process rather than establishing the frequency of those processes. Because arg ments about policy learning have been developed largely through sing case studies (or, for Heclo, a multicase study in which learning w claimed to be central in each instance), the question of this phenomenon scope has hardly been asked, much less answered. Yet surely this is critical concern.

Amenta et al.'s study of the early development of unemployment ir surance in individual states in the United States is a promising first a tempt to confront this problem.[43] By adopting a multicase study desig involving five relatively developed states, the authors were able to asse the usefulness of policy-learning arguments for explaining the timin and design of state initiatives. Wisconsin's early adoption of unemploy ment insurance is plausibly attributed, in part, to the prior developmen there of an extensive policy network with experience in the promotio of such policies. At the same time, Amenta et al.'s analysis suggests tha a full explanation of policy outcomes must move beyond policy-learnin

[41] Ann Swidler, "Culture in Action: Symbols and Strategies," *American Sociological Re view* 51 (April 1986).

[42] Robert Jervis, *Perception and Misperception in International Politics* (Princeton: Princeto University Press, 1976), 143.

[43] Edwin Amenta, Elisabeth S. Clemens, Jefren Olsen, Sunita Parikh, and Theda Skocpol "The Political Origins of Unemployment Insurance in Five American States," *Studies i American Political Development* 2 (1987).

arguments to examine prospects for successful coalition formation. Support among experts for unemployment insurance was of limited use in the absence of strong backing within state legislatures.

The Hall volume represents a second effort to place policy-learning arguments in a broad comparative framework, since it investigates the dissemination of Keynesian ideas in a number of countries. On my reading, the results are disappointing for those who would stress this dimension of policy feedback. Of the empirical essays, only Lee's puts heavy emphasis on policymakers' experience with prior policies, and his efforts to link specific policies with later political processes are sketchy at best. In Hall's concluding essay, which advances a complex explanation for the reception of Keynesian ideas, policy-learning arguments recede into the background. Hall lists "collective associations with similar policies" as one of several factors affecting the political viability of Keynesian proposals, but his account places more weight on party structures, the interests of potential coalition partners, and the reputations of Keynesianism's exponents. Further, he stresses that political viability is only one part of a complete explanation: Keynesian proposals needed to pass tests of economic and administrative viability as well. In contrast to Hall's single-case study of British policy-making, this cross-national investigation suggests a limited role for policy-learning effects.

While making some progress on the question of how learning effects may interact with other variables, even these multicase studies could make limited progress on the scope question because they looked at only one type of policy. Determining when learning effects are likely to be prominent will require carefully designed research projects comparing different types of policies and different policy-making environments. While a detailed examination of such a research agenda is not possible here, a few plausible and illustrative hypotheses can be suggested.

First, the degree of *insulation of decision makers* is likely to be important. Learning processes are more likely to be prominent when a small number of actors are involved.[44] Widening the scope of conflict increases the chances for disagreement and hence the decisiveness of political resources.[45] Analysts need to think about the characteristics of policies that are conducive to relatively insulated policy-making.

[44] This perhaps explains why students of foreign policy-making, which often features decision making by small groups or even single individuals, have had a particular interest in learning processes. See the literature reviewed in Yuen Foong Khong, *Analogies at War: Korea, Munich, Dien Bien Phu, and the Vietnam Decisions of 1965* (Princeton: Princeton University Press, 1992), chap. 1. Khong's work offers an ambitious and thoughtful attempt to address many of the objections to learning arguments.

[45] On the importance of the scope of conflict, see E. E. Schattschneider, *The Semisovereign People* (New York: Holt, Reinhart, and Winston, 1960).

A second factor of significance may be *policy complexity*. The greater the technical proficiency required to understand an issue and possible policy responses, the greater the likelihood that learning effects stemming from social investigation and analysis will be prominent. As I will discuss in more detail below, some government activities involve rather direct connections between policy and outcomes (e.g., the relationship between the legality of abortion and the options available to pregnant women; the relationship between pension benefits and the financial status of the elderly), while in other cases the causal chains are more complex and uncertain (e.g., the relationship between educational policy and economic competitiveness). Where policies are not complex, "puzzling" is likely to give way to "powering." An argument about the role of policy learning may be far more persuasive in accounting for changes in educational policy than it will be in explaining policy covering abortion.

Finally, it is very likely that policy learning plays a different role at different *stages of the policy-making process*. Learning effects will be most apparent in the specification of alternatives, since this is when detailed knowledge is most crucial.[46] The heavy weight Heclo gives to learning effects and bureaucratic influence stems partly from his desire to account for the identification and development of specific policy alternatives rather than more general policy orientations.[47] Agenda-setting and the final choice of policies are likely to be the result of other kinds of influences. If so, this suggests an important limit to the scope of policy-learning arguments.

The work of Hall, Amenta, and their colleagues indicates a growing interest in fleshing out the insights of a policy-learning approach; but they only begin the process of producing answers to the questions of when, where and how policy-learning effects might be important. To determine the scope of learning arguments, scholars need to disaggregate policy-making along two dimensions. Disaggregating policy-making *temporally* (along the standard lines of agenda setting, alternative specification, policy choice, and implementation) will permit an evaluation of policy learning's role at different stages of the political process. The design of alternatives is clearly important, but to date we know little about the role of policy learning beyond that realm. To what extent are learning effects important in explaining the agendas, or final policy choices, made by governments? Disaggregating *across policies* will also contribute

[46] Kingdon makes this point in his careful study of the policy-making process. John Kingdon, *Agendas, Alternatives, and Public Policies* (Boston: Little, Brown, 1984).

[47] See Heclo's discussion of party and interest group influence (fn. 30), 293–301.

to an understanding of the true scope of learning arguments. Past investigations have often examined areas of very complex policy-making where expertise is at a premium (Hall's work on macroeconomic policy being a good example). To what extent, if any, can learning arguments be applied to policy areas where expertise may play a less important role (e.g., abortion, immigration, industrial relations)? Should efforts to address these questions be pursued, it is far from clear how powerful policy learning arguments will turn out to be. To date, what we have are plausible accounts of isolated cases.

Policies as Sources of Information for Mass Publics

Given the serious problems with policy-learning arguments, it may be that interpretive accounts, like investigations of resource/incentive feedback, could benefit from a shift in focus towards mass publics rather than policymakers. Policy-learning arguments concentrate on those with a continuing active role in policy-making: high-level bureaucrats and politicians, policy experts, and the leaders of interest groups. But interpretive arguments may help to account for the behavior of a broader set of actors, who are also engaged in efforts to understand the social world and the consequences of their own actions. For the electorate, policies may produce cues that help them develop political identities, goals, and strategies. While policy-learning arguments see policies as the source of models or analogies for policymakers, what is likely to be important for mass publics is the informational content of policies. As James Kuklinski has recently written, "The idea of information has overtaken political scientists."[48] Political actions must be based on understanding, but our understandings are necessarily constrained by the sheer complexity of the social world and our own limitations of time and cognitive capacity. Yet if there is a growing recognition that knowledge is a scarce and critical political commodity, the integration of this insight into understandings of politics remains more an aspiration than an accomplishment. Nonetheless, the role of public policies in the production and dissemination of information recently has received increased attention.

The specific design of programs may heighten the visibility of some social and political connections while obscuring others. In a context of great social complexity, policies may generate "focusing events" or cues that help social actors to interpret the world around them.[49] Policy-induced cues may influence an individual's awareness of government

[48] James H. Kuklinski, "Information and the Study of Politics," in John Ferejohn and James H. Kuklinski, *Information and Democratic Processes*, 391.

[49] On focusing events, see Kingdon (fn. 46), 99–105.

activity. For example, when the National Aeronautics and Space Administration chose to pursue a manned space shuttle program rather than unmanned alternatives, one important consequence was to greatly increase the attention paid to individual flights. NASA supporters hoped that the heightened visibility would strengthen political support for the space program. The creation of "focusing events" backfired with the *Challenger* disaster, which gravely damaged NASA's reputation. The opposite process can operate as well. Some programs are "quiet"—they do not produce events that generate attention. For instance, many countries provide massive subsidies for various private activities through their tax codes. Unlike on-budget outlays, "tax expenditures" are not subjected to annual legislative scrutiny. Despite their importance, policies designed this way do not produce the focusing events that might place their reform on the political agenda.[50] It is probably no accident that the benefits of such programs tend to be far more heavily concentrated on small groups of wealthy individuals than are on-budget expenditures.

Harold Wilensky has extended this argument about tax visibility to the whole range of a nation's tax policies. He suggests that whether these policies serve to heighten or obscure tax burdens may be more important politically than the actual level of taxation.[51] Prospects for the development of "tax backlash" movements depend on public perceptions of burdensome taxation. Because indirect taxes are less visible to voters, governments relying on them can maintain higher tax levels than countries that depend more heavily on highly visible taxes such as the income tax.

This argument may be widely applicable. In *The Rise and Fall of the Great Powers*, Paul Kennedy devotes a chapter to the European conflicts from 1660 to 1815, with particular attention to the struggles between Britain and France. Kennedy's explanation for Britain's ultimate triumph in the lengthy and costly competition places significant weight on Britain's superior financial position. That superiority, in turn, is attributed in large part to the difference in visibility between the tax systems of the two rivals, which allowed a less populous Britain to produce more revenue with less public discontent.

> While it is true that its general taxation system was more regressive than that of France—that is, it relied far more upon indirect than direct taxes—particular features seem to have made it much less resented by the public.

[50] See, for example, Herman B. Leonard, *Checks Unbalanced: The Quiet Side of Public Spending* (New York: Basic Books, 1986), chap. 4.

[51] Harold Wilensky, *The New Corporatism, Centralization, and the Welfare State* (Beverly Hills, Calif.: Sage, 1976). See also Douglas A. Hibbs, Jr., and Henrik Jess Madsen, "Public Reactions to the Growth of Taxation and Government Expenditure," *World Politics* 33 (April 1981).

For example, there was in Britain nothing like the vast array of French tax farmers, collectors, and other middlemen; many of the British duties were "invisible" (the excise duty on a few basic products), or appeared to hurt the foreigner (customs); there were no *internal* tolls, which so irritated French merchants . . . the British land tax—the chief direct tax for so much of the eighteenth century—allowed for no privileged exceptions and was also "invisible" to the greater part of society.[52]

In common with policy-learning arguments, these analyses focus on the signals that policies send to political actors. These signals may influence individuals' perceptions about what their interests are, whether their representatives are protecting those interests, who their allies might e, and what political strategies are promising. Besides broadening the nge of actors considered, this approach has a significant additional adantage over a focus on policy learning. Not only does it acknowledge at all policy-making takes place in a context of information constraints, ut it recognizes that the distribution of this information is often highly nequal. The emphasis of these arguments is on how *information asymetries* create space for the strategic manipulation of policy design. nowledge is indeed power, and the fact that policy structures can influnce the role and availability of information makes this an important and ontested aspect of policy development. To rephrase Heclo, "powering" nd "puzzling" are often part of the same process; power can be utilized facilitate or impede actors' efforts to understand the consequences of ublic policies.

Yet beyond rather vague formulations, such as the suggestions that ome policies are "visible" and others are not or that some policies genrate "focusing events" and others do not, there was until recently little ystematic discussion of the characteristics of initiatives that produce paricular "cues" for social actors. However, political scientists are now naking significant progress on several fronts. R. Kent Weaver's work n blame avoidance indicated that policymakers will take steps, includng the redesign of policies, to modify public awareness of their actions, epending on whether or not they expect those actions to be popular.[53] Douglas Arnold has stressed the importance of the electorate's capacity o link particular effects, whether positive or negative, with the actions f individual politicians.[54]

[52] Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987), 0–81.

[53] R. Kent Weaver, "The Politics of Blame Avoidance," *Journal of Public Policy* 6 (October–December 1986).

[54] Douglas Arnold, *The Logic of Congressional Action* (New Haven: Yale University Press, 1990).

According to Arnold, two conditions must hold for public policie generate a response from mass publics. The first condition is *visibi..* voters must experience some discernible outcome that leads them to i quire about the cause of this outcome. The second condition is *traceab ity*: to respond by rewarding or punishing politicians, the electorate mu be able to link that outcome to some governmental action. The critic point is that both visibility and traceability can vary independently of policy's actual impact and that this variation may be a product of poli design. Specific features determine a policy's *informational content*, infl encing both these determinants of the electorate's reaction. Policies th distribute benefits widely and intermittently are less likely to be visib than policies that distribute benefits to a concentrated group and in single package. Whether those affected are part of a network (e.g., ge graphical or occupational) allowing communication with others affecte (what Arnold has called *proximity*) is another important factor. Hom owners living near a toxic dump and dairy farmers sharing a comm profession are each likely to be part of networks that facilitate comm nication and therefore improve the chances that they will become awa of outcomes that affect them; recipients of disability payments who ha their benefits cut are not.

The traceability of policies varies as well. Traceability really involv two distinct tests: can visible outcomes be linked to government poli and can those policies be linked to someone who can be given credit c blame? A crucial factor in linking outcomes to policy, as Arnold note is the "length of the causal chain." The more stages and uncertainti that lie between a policy's enactment and a perceived outcome, the le likely it is that those affected will respond politically. Producers, who se a direct link between tariff levels and their own profitability, are muc more likely to be activated than consumers, for whom the causal chai is longer. Consumers may not like the prices they pay for goods, but the are unlikely to attribute those prices to government trade policies. I general, the more difficult it is to sort out causal arguments—the mor complex the policy—the less likely it is that voters will trace even majo problems to specific government decisions.

Policymakers have a significant degree of control over this aspect o traceability. They may choose interventions that create causal chains o varying lengths. Ideally, they would like to design programs for whicl the benefits involve short causal chains and the costs involve long ones Time lags, for example, add greatly to the length and complexity o causal chains, so policymakers favor policy designs that front-load bene fits and back-load costs.

The second aspect of traceability, linking government action to specific decision makers, may also depend on policy design.[55] Policies can ither illuminate or obscure the role of decision makers. As Weaver has rgued, indexation mechanisms, which put particular policies on "automatic," have proven attractive precisely because they reduce the traceability of outcomes to particular decision makers.[56] To take another recent example, the intricate legislative history surrounding the evolution of U.S. policy regulating savings and loan institutions made it practically mpossible for even the most incensed taxpayer to know which politicians to hold accountable for the massive costs imposed on the Treasury.

There is significant evidence that the information content of policies is important for mass publics and that these feedback effects deserve careful attention. Certainly the ability to raise or lower the profile of their actions for different constituencies would seem to give politicians an important political resource. Unfortunately, the methodological problems associated with this kind of analysis are substantial. It is often difficult enough to measure the most concrete consequences of policies, let alone things as intangible as traceability and visibility. While Arnold's concept of "causal chains" offers a promising beginning, he acknowledges that the efforts of actors to create these chains are a "subjective process" likely to be highly complex and culturally contingent.[57] However, one could certainly begin, as scholars have with tax policy, with some fairly simple measures of visible and traceable policy designs and could seek to identify the political consequences of each.

The potential payoff seems well worth the effort. Recall the discussion of resource/incentive feedback on government elites, where I argued that it has been very difficult to establish strong claims about the impact of policy feedback. By contrast, the arguments of Wilensky and others about tax visibility, if correct, would significantly contribute to our understanding of the fiscal resources of states, which Skocpol has claimed tells us "more than could any other single factor about [the state's] existing (and immediately potential) capacities to create or strengthen state

[55] This is much more likely to be true in an institutional setting like that of the United States, where the location of accountability is often uncertain. See Paul Pierson and R. Kent Weaver, "Political Institutions and Loss Imposition: Pensions Policy in Britain, Canada and the United States," in R. Kent Weaver and Burt Rockman, eds., *Do Institutions Matter? Government Capabilities in the U.S. and Abroad* (Washington, D.C.: Brookings Institution, 1993).

[56] R. Kent Weaver, *Automatic Government: The Politics of Indexation* (Washington, D.C.: Brookings Institution, 1988).

[57] Arnold (fn. 54), 48n. For an interesting effort to explore this issue, see Deborah Stone, "Causal Stories and the Formation of Policy Agendas," *Political Science Quarterly* 104 (Summer 1989).

organizations, to employ personnel, to coopt political support, to subsidize economic enterprises, and to fund social programs."[58]

That potential underscores the basic point of this discussion of interpretive arguments about policy feedback. Policies indeed allocate large quantities of resources and create powerful incentives, but some of their most important effects may be cognitive. The massive scope of public policies assures that they play a significant role in our efforts to understand and act in an enormously complex political world.

An Agenda for Research on Policy Feedback

The scholarship reviewed in this essay shares a common feature: the claim that policies themselves must be seen as politically consequential structures. The rise of active government leaves little room for doubt about this general proposition. Nonetheless, the fact that policy feedback arguments are now widely applied in divergent national contexts and across a variety of issue-areas drives home the growing importance of this concept to the study of comparative politics.[59] To take only a few of the examples discussed in this essay, policy feedback arguments have been used to help account for Britain's triumph over France in the eighteenth century, the development of Sweden's powerful labor movement, and the failure of New Deal reformers to cement a farmer/worker alliance. In a wide range of circumstances and in numerous ways, policies restructure politics.

This lengthy discussion also reveals the diversity of arguments that lies behind a general claim. Based on the preceding discussion, Figure 1 offers a summary of the dimensions of policy feedback. The summary utilizes a distinction between two main feedback *mechanisms* (resource/incentive effects and interpretive effects) and among three *sets of actors* affected by these mechanisms (government elites, social groups, and mass publics). The framework suggests six separate pathways of influence

[58] Theda Skocpol, "Bringing the State Back In: Strategies and Analysis in Current Research," in Evans, Reuschemeyer, and Skocpol (fn. 5), 17.

[59] For those uninterested in the roots of current politics, policy feedback arguments may nonetheless be useful. The fact that such political consequences of policy design are likely to be discernible to policymakers raises an additional issue that deserves attention: the extent to which decision makers self-consciously design policies to produce particular feedback effects. Especially as government activity becomes widespread, politicians are likely to become aware that policy choices have political consequences. This suggests that feedback effects should not only be incorporated into political analysis because previous policies influence current politics. Current political struggles may well reflect concern over the *future* political consequences of contemporary policy choices. Cognizance of the possible range of such consequences may give analysts important insights into the strategic choices facing contemporary political actors.

running from policies to politics, although several pathways (e.g., the impact of resource/incentive mechanisms on social groups) may involve multiple sources of influence.

This framework indicates where scholars might expect to find significant causal connections between public policies and political developments. It is not, however, an effort to follow the well-known attempts of analysts like Lowi and Wilson to develop an extremely parsimonious theory linking specific policy "types" to particular political outcomes.[60] The current discussion suggests two reasons why such efforts are unlikely to provide a sound basis for theory building. First, as Figure 1 indicates, individual policies may have a number of politically relevant characteristics, and these characteristics may have a multiplicity of consequences. Second, as a number of studies discussed in this essay suggest, policy feedback rarely operates in isolation from features of the broader political environment (e.g., institutional structures, the dynamics of party systems).[61] The impact of policies is likely to occur in interaction with other variables. For both these reasons, it seems doubtful that we can expect to develop sweeping theories that link a few policy "types" to clearly defined political outcomes. Instead, a more promising strategy is to develop middle-range theories that acknowledge both the complexity of feedback and its context-specific qualities.

This discussion carries some specific implications for research agendas. A greater recognition of the wide scope of possible feedback—and, in particular, of how policy feedback affects mass publics—can strengthen work on the political consequences of public policies. Too often, analysts interested in feedback effects have looked at only one or two possible pathways of influence. Although many of the processes sketched out here will not be important in particular cases, each should be explored. Attention to the impact of policies on individual actors outside the circuit of bureaucrats, politicians, and interest groups is especially urgent. Policies have a major influence on mass publics, generating

[60] Theodore J. Lowi, "American Business, Public Policy, Case Studies, and Political Theory," *World Politics* 16 (July 1964); idem, "Four Systems of Policy, Politics, and Choice," *Public Administration Review* 32 (July–August 1972); James Q. Wilson, *Political Organizations* (New York: Basic Books, 1973), 330–37; and idem, *American Government*, 4th ed. (Lexington, Mass.: D.C. Heath, 1989), 422–47, 590–604.

[61] It is probably no coincidence that the two significant efforts to develop "policies produce politics" typologies have been developed in American politics rather than comparative politics, which allows Lowi and Wilson at least to attempt to "hold constant" elements of the broader political environment. Instructively, Elizabeth Sanders's study of natural gas regulation argues that Lowi's typology starts to break down when one studies the dynamics of policy struggles over time. "Regulatory" policy seems to produce different politics in different historical contexts. Sanders, *The Regulation of Natural Gas: Policy and Politics 1938–1978* (Philadelphia: Temple University Press, 1981).

Actors Affected by Feedback Mechanism

Type of Mechanism	government elites	interest groups	mass publics
resource and incentive effects	administrative capacities	"spoils" organizing niches financing access	"lock-in" effects
interpretive effects	policy learning	policy learning visibility/ traceability	visibility/ traceability

FIGURE 1
THE DIMENSIONS OF POLICY FEEDBACK

patterns of behavior (lock-in effects) and interpretive efforts (attempts to identify policy effects and trace those effects to government decisions that have significant political repercussions.

The informational content of public policies deserves particular attention. Increasingly, political scientists have recognized that the staggering complexities of modern life make information a critical factor in politics There has been growing attention to the ways in which institutional structures facilitate or impede information flows and to the role of politicians, parties, and interest groups as transmitters of information to various actors.[62] Yet we still know relatively little about the contribution of policies themselves to such processes. Because both the visibility and traceability of policies can vary so widely, the informational content of policies is likely to have significant effects on the mobilizing potential of political actors.

Analysts need not give up a concern with the material resources and incentives created by public policies. Indeed, arguments about informational feedback pose far less of a challenge to standard political science frameworks than do arguments that focus on policy learning.[63] The lat-

[62] Ferejohn and Kuklinski (fn. 48); Keith Krehbiel, *Information and Legislative Organization* (Ann Arbor: University of Michigan Press, 1991); Mathew M. McCubbins and Terry Sullivan, eds., *Congress: Structure and Policy* (Cambridge: Cambridge University Press, 1987).

[63] For a summary of that challenge, see March and Olsen (fn. 2), chap. 1.

ter require a significant reevaluation of the psychological foundations of individual choice, leading to a thicket of intriguing but perhaps intractable questions. By contrast, the former approach calls only for the incorporation of information into the universe of relevant political resources.

It is no accident that both the arguments I have advanced about policy feedback on mass publics (the production of lock-in effects and the provision of information) draw heavily on work in rational-choice theory. While historical institutionalists have studied state structures and social groups, the use of microeconomic theory leads naturally to a focus on *individual* behavior. Economists have developed powerful models for exploring how different institutional frameworks and resource distributions influence both individual choices and the ways in which individual choices lead to particular aggregate outcomes. Wedded to historical institutionalist arguments about the prominence of public policies and the importance of tracing historical processes, these insights from rational-choice theory offer promising openings for the study of policy feedback on mass publics.

Finally, the diversity of the arguments identified here and the uncertainty regarding the scope of many of them also suggests the need for a more fundamental reexamination of research agendas. While the utility of policy feedback arguments seems clear, there are a great many unanswered questions about the circumstances under which preexisting policies are likely to influence political processes, and about the particular types of influence that are most important. Resolving these issues will require a reformulation of questions. Rather than asking "Do policies produce politics?" we need to ask more precise questions about how policies matter and under what conditions. Getting at the answers will often require careful attention to research design.

This conclusion highlights both the merits and limitations of recent work in historical institutionalism. By now, the merits should be clear. The emergence of arguments about policy feedback has stemmed largely from research that takes structural constraints imposed by government seriously, that utilizes detailed case studies, and that emphasizes that history matters—that political processes should be analyzed over time. As Skocpol puts it:

> Too often social scientists . . . forget that policies, once enacted, restructure subsequent political processes. Analysts typically look only for synchronic determinants of policies—for example, in current social interests or in existing political alliances. In addition, however, we must examine patterns unfolding over time. . . . We must make social policies the starting points as well as the end points of analysis. (p. 58)

Because historical institutional analysis encourages intensive scrutiny of specific historical paths, it has been ideally suited to identify the existence of policy feedback mechanisms. The same approach, however, has had greater difficulty in moving to the next phase: establishing the scope of particular mechanisms, and the specific characteristics of policies and the broader context that are likely to make particular mechanisms relevant.

Much can probably be done within a historical institutionalist framework to cope with these problems. More specific questions need to be asked and hypotheses need to be carefully stated. Insights from rational choice theory need to be incorporated. But it is difficult to see how many of these more specific questions can be answered through the use of single-case studies. Investigating many of the most pressing questions may require a reorientation toward the investigation of large samples that would allow the application of statistical techniques.

Political scientists study what they do because they believe that politics matters—that government decisions have major social consequences. It is surely ironic that among the least understood of these consequences are the feedback effects on political life. Much like the formal institutions that have recently received extensive scholarly attention, major policies frame the choices of political actors both by creating resources and incentives and by influencing the efforts of individuals to interpret the social world. Incorporating this insight more systematically into research will greatly enrich our understanding of politics.

EXPLAINING THE DYNAMICS OF THE SOUTHEAST ASIAN POLITICAL ECONOMY

State, Society, and the Search for Economic Growth

By GARY HAWES and HONG LIU

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INTRODUCTION

THE study of the comparative political economy of development has gone through a number of distinct phases. The books under review ere may herald the beginning of a new phase by drawing our attention o a region of the Third World—Southeast Asia—that is likely to provide fertile ground for social science theorizing in the 1990s. These books ay also be considered the opening salvos in a debate about how best to nterpret the experience of the region and how to generalize from that o the larger issues of Third World development. This review explores he debate and attempts to show the relevance of Southeast Asia for the omparative political economy of development.

During the 1970s attention was focused on Latin America, and th theoretical constructs "dependence" and "dependent development" wer added to the lexicon. More generally, it was a decade in which influentia voices warned of the twin dangers of global domination by (American multinational corporations and the continued impoverishment of Third World locked in an increasingly homogeneous, hierarchical world capitalist economy.[1] The 1970s was also the United Nations' sec ond development decade, a decade often characterized by confrontatio between North and South over the proposed New International Eco nomic Order (NIEO).

In the 1980s attention was directed to Northeast Asia, where spectac ular growth helped to dispel the pervasive gloom of the 1970s. Depen dency analysis, even in its revised, dependent development formulation had not predicted and could not explain this record of economic growt and industrial diversification. Attempts to devise a framework to explai these cases quickly fell into two broad categories—one market-oriente and the other more state-centered. Both frameworks tended to empha size the uniqueness of countries such as Taiwan and South Korea.

The discipline of economics emphasized the outward orientation o the region's development strategies, what they believed were relativel free markets, and the conservative nature of government macroeconomi policy.[2] There was diversity within this broad framework, and even the World Bank acknowledged that since markets are rarely perfect, governments "must sometimes intervene to achieve an efficient outcome."[3] It is more generally true of this framework, however, that even when there is grudging agreement that governments "have been a determining force in economic development," the concession is quickly qualified by the assertion that these same governments "did not try to overwhelm the market, and were flexible enough to adjust policies when necessary."[4]

[1] Richard J. Barnet and Ronald E. Muller, *Global Reach: The Power of the Multinational Corporations* (New York: Simon and Schuster, 1974); Jean-Jacques Servan Schreiber, *The American Challenge* (New York: Atheneum, 1968); Immanuel Wallerstein, *The Capitalist World-Economy* (Cambridge: Cambridge University Press, 1979); Folker Froebel, Jurgen Heinrichs, and Otto Kreye, *The New International Division of Labor* (Cambridge: Cambridge University Press, 1980).

[2] Among the many studies, those frequently cited include Bela Balassa, *The Newly Industrializing Countries in the World Economy* (New York: Pergamon Press, 1981); Jagdish Bhagwati, *Anatomy and Consequences of Exchange Control Regimes* (Cambridge, Mass.: Ballinger, 1978); and Ramgopal Agarwala, "Price Distortions and Growth in Developing Countries," *World Bank Staff Working Papers*, no. 575 (Washington, D.C.: World Bank, 1983).

[3] World Bank, *World Development Report, 1987* (New York: Oxford University Press, 1987), 5.

[4] William E. James, Seiji Naya, and Gerald M. Meier, *Asian Development: Economic Success and Policy Lessons* (Madison: University of Wisconsin Press, 1989), 18.

Proponents of this framework see Northeast Asia as unique in its fealty to the market.

In contrast to the neoclassical explanation, most other social scientists (including some notable economists) have emphasized the pattern of extensive state intervention in the market. According to this view, not only are the Northeast Asian states consciously "getting prices wrong," but they are also distorting prices to create comparative advantage and thereby "pick winners."[5] Proponents of this view have stressed the unique influences of the region's colonial history, its geostrategic importance, and its class structures and success with land reform. All these factors have contributed to the emergence of "strong" states that are relatively free of linkages to societal groups that could limit the ability of the state to intervene in or regulate the economy.[6]

While this debate over Northeast Asia continues, the 1990s has shifted the focus to new approaches and new regions. One approach that seems especially productive is the effort to compare selected Latin American NICs with Taiwan and South Korea.[7] Whereas earlier comparisons had often exaggerated the contrast between the two regions—between the "inward-oriented" Latin America and the "outward-oriented" Northeast Asia—more recent work has highlighted important qualifications of this dichotomy and demonstrated a number of significant *intra*regional variations. As important as these contributions undoubtedly are, however, the comparative enterprise is handicapped by the basic uniqueness of each of the two regions: their resource endowments, their colonial histories, their political cultures and regime types.[8]

[5] See, e.g., Colin I. Bradford, "Trade and Structural Change: NICs and Next Tier NICs as Transitional Economies," *World Development* 15 (March 1987); Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton: Princeton University Press, 1990); and Richard Leudde-Neurath, "State Intervention and Export-oriented Development in South Korea," in Gordon White, ed., *Development States in East Asia* (London: Macmillan, 1988).

[6] Bruce Cumings, "The Origins of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences," *International Organization* 38 (Winter 1984); and Thomas Gold, *State and Society in the Taiwan Miracle* (Armonk, N.Y.: M. E. Sharpe, 1986).

[7] Peter A. Gourevitch, ed., "The Pacific Region: Challenges to Policy and Theory," *Annals of the American Academy of Political and Social Science* 505 (September 1989); Seiji Naya et al., eds., *Lessons in Development: A Comparative Study of Asia and Latin America* (San Francisco: Institute for Contemporary Studies, 1989); Gary Gereffi and Donald L. Wyman, eds., *Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia* (Princeton: Princeton University Press, 1990); and Stephan Haggard, *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries* (Ithaca, N.Y.: Cornell University Press, 1990).

[8] While few are recommending that the Third World follow the lead of Latin America, many have suggested that Northeast Asia is an appropriate model. But others before us have questioned the prospect of replicating the experience of Northeast Asia. See William R. Cline, "Can the East Asian Model of Development Be Generalized?" *World Development* 10

The books under review here illustrate the importance of studying Southeast Asia.[9] The countries of that region have obviously done something right. Over the twenty-five-year period 1965–90 their growth rates have been among the world's fastest. Even measured on a gross national product per capita basis, the averages have been high: 4.5 percent for Indonesia, 4.4 percent for Thailand, and 4.0 percent for Malaysia.[10] The economy of each of these countries has experienced a transformation, so that today the share of industry in total production is over 30 percent which in every case is larger than the share of agriculture.[11] Along with a growth in industry has come a dramatic increase in exports; over the period 1970–87 these countries rank seventh (Thailand), eighth (Indonesia), and sixteenth (Malaysia) among all nations in percentage growth of exports.[12]

The books under review are important even for those who are not specialists on Southeast Asia. They offer new cases and findings that can enrich earlier comparisons of two quite distinct regions. Beyond increasing the number of units in the comparisons, Southeast Asia comes closer to the general experience and conditions of the Third World than does either Latin America or Northeast Asia. We will return to this point in our conclusion.

At the risk of emphasizing differences more than the common concerns raised by these books, we divide them into two categories. The first category—the books by Jomo, Robison, and Hewison—stresses a more historical, comprehensive, and structural approach to explaining the dynamics of the Southeast Asian political economies. We consider these authors to be structuralists because they utilize approaches that

> emphasize capitalist power stemming from the very indispensability of the capitalist class as the machine that drives the economy. In this sense the capitalists exert a veto power over the state, whose leaders, although exer-

(February 1982); and Clive Hamilton, "Can the Rest of Asia Emulate the NICs?" *Third World Quarterly* 87 (October 1987).

[9] For the purposes of this essay Southeast Asia is restricted to Thailand, Malaysia, and Indonesia. However, it might be added that those who have included Singapore in the study of East or Northeast Asia are doing a great disservice to geography. Singapore's extraordinary dynamism is inextricably linked to its location at the tip of the Malaysian peninsula: it serves as the processing center for many of the raw materials of its Southeast Asian neighbors, and it is a favored site for the regional headquarters of transnational corporations operating in Southeast Asia. We hope this essay will open a revanchist campaign for Singapore and its rightful position in Southeast Asia.

[10] World Bank, *World Development Report, 1992* (New York: Oxford University Press, 1992), Table 1.

[11] James et al. (fn. 4), Table 1.5.

[12] General Agreement on Tariffs and Trade, *International Trade, 1987–88*, vol. 1 (Geneva: GATT, 1988), Table 13.

cising a degree of autonomy, must always consider the consequences of policies which threaten the flow of investment.[13]

The second category—composed of the books by Laothamatas, Bowie, Doner, and MacIntyre—focuses on narrower, interest-group and institutional approaches to the contemporary dynamics of the Southeast Asian political economy.[14] These authors seek to achieve the goals of a broader institutionalism, defined by Doner as an approach that "(1) incorporates private sector and public sector arrangements, (2) appreciates the coalitional bases of such arrangements, and (3) recognizes the utility of combining political support for local firms with pressure on them to conform to market forces." In this view, developmental states are one component of, one participant in, broader institutions that provide solutions to the collective action problems common to developing nations.[15]

Beyond their additional intra- and interregional insights, all of the books under review also tackle some of the more theoretical issues being debated today, issues that have broader implications for the general frameworks of comparative political economy of development. The following are some of the questions raised by this literature.

1. Is state autonomy from societal linkages truly essential to rapid economic growth and the formation of a capitalist class or is it essential only at early stages of diversification, becoming unimportant or even counterproductive at later stages of industrialization?

2. What are the political consequences of rapid industrialization, especially with the rise of a dynamic, assertive, internally divided capitalist class?

3. How does the international environment (both colonial and postindependence) shape the menu of developmental choices open to political elites, and, related to this, how do international shocks force risky, unpopular choices of development strategy?

4. How do political elites, depending on regime type, balance the twin goals of legitimizing their rule and creating the conditions for rapid economic growth; are these goals contradictory, or if they are not contradictory, what kinds of political coalition and legitimation strategy are most conducive to industrialization?

5. What forms of institutional arrangement, both within the state and encompassing new forms of state-society linkage, are most likely to foster

[13] Richard Robison, "Industrialization and the Political and Economic Development of Capital: The Case of Indonesia," in Ruth McVey, ed., *Southeast Asian Capitalists* (Ithaca, N.Y.: Cornell Southeast Asia Program, 1992), 87.

[14] For a recent review of some of the issues raised by the new field of institutional economics, see Beth V. Yarbrough and Robert M. Yarbrough, "International Institutions and the New Economics of Organization," *International Organization* 44 (Spring 1990); and Richard F. Doner, "Limits of State Strength: Toward an Institutionalist View of Economic Development," *World Politics* 44 (April 1992).

[15] Doner (fn. 14), 401.

constructive decision making that reduces the prospect of "rent-seeking" and enhances international competitiveness?

To address these questions and explore the variety of answers provided by the authors, we turn first to the structuralists.

Structural Explanations of the Southeast Asian Political Economy

Since the early 1980s, primarily as a response to the failure of the dependency school to explain Southeast Asian political and economic development,[16] a structural approach emerged. In contrast to dependency which emphasizes the subordination of indigenous states to international capital and the weakness or absence of a domestic capitalist class, structural explanations start with a recognition that a series of dramatic internal transformations has taken place in Southeast Asia since the mid-1970s. These changes comprise "rapid industrialization, the emergence of powerful, centralized authoritarian regimes and complex bureaucratic structures together with the accelerated spread of new class relationships in both the town and the countryside."[17]

In its search for the dynamics of these new phenomena, the structural approach stresses three different, yet closely connected, variables—the state, the domestic capitalist class, and the international economy—that are deemed to be central to any understanding of the Southeast Asian political economy. Of course, each author within this tradition weights the different variables and their interactions slightly differently. The authors also discuss other issues that tend to soften the structuralist framework and that begin to add politics to the analysis. These include (1) the need felt by Southeast Asian politicians to balance the impulse toward capital accumulation with the desire to attain social legitimacy for the regime and (2) the growing fragmentation of the incipient capitalist class, and as a result of these factors, (3) the increasing complexity of state-society linkages. Together, these factors constitute the major variables in

[16] There are relatively few studies of Southeast Asia that rigorously follow the tenets of the dependency school. Among the works that have been influenced by the school are Rex Mortimer, ed., *Showcase State: The Illusion of Indonesia's Accelerated Modernization* (Sydney: Angus and Robertson, 1973); Richard Robison, "Toward a Class Analysis of the Indonesian Military-Bureaucratic State," *Indonesia*, no. 25 (April 1978); Peter Bell, " 'Cycles' of Class Struggle in Thailand," *Journal of Contemporary Asia* 8, no. 1 (1978); and Khor Kok Peng, *The Malaysian Economy: Structures and Dependence* (Kuala Lumpur: Marian and Sons, for Institut Masyarakat, 1983).

[17] Richard Higgott and Richard Robison, "Theories of Development and Underdevelopment: Implications for the Study of Southeast Asia," in Higgott and Robison, eds., *Southeast Asia: Essays in the Political Economy of Structural Change* (London: Routledge and Kegan Paul, 1985), 3.

ıe structural explanation of the dynamics of the Southeast Asian polit-ıal economy.

The three authors share two broad areas of agreement. First, all take historical approach that traces the evolution of the role of the state and lass relationships since the mid-nineteenth century. Each has a slightly ifferent focus, however. Robison is primarily concerned with the impact f a strong state upon the emergence of a capitalist class in Indonesia; Iewison concentrates on the interactions between the Thai state and the apitalist class; and Jomo places greater emphasis on the historical trans-ɔrmation of social relationships between classes in Malaysia. He first ›oks for examples in the relations between peasants and landlords and ıter considers the relations between workers, capitalists, and the state.

Second, each author, reinforcing the historical approach, seeks to ex-lain the rise of a capitalist class. Each country presents a variation on ıis central theme. According to Robison, a central feature of Indonesian istory up to 1965 was the absence of an indigenous bourgeoisie. But he lso argues that past efforts to find a "missing bourgeoisie" and thereby xplain the dynamics of Indonesian politics have misdirected their focus ɔ the declining Muslim petty capital and have missed "structural rela-ıonships between politics, society, and economy" (p. 113).[18] In challeng-ıg this earlier scholarship, he locates the emerging capitalist class within he regime and in the connections between the politico-bureaucrats and he private sector, especially Chinese capital. Recognizing the economic nd political need to protect national capital, the New Order state (post-965, Suharto) moved away from the laissez-faire, growth-oriented eco-ıomic policy in the mid-1970s and shifted to ISI (import-substitution ndustrialization), in which the state attempted to play the role of "de-eloper, stabilizer, and dynamiser" (p. 151). Directly from this state in-ervention in the economy there emerged a domestic capitalist class. As lobison declares, "By the end of the 1970s the picture of domestic capital ıs weak, dependent and subservient could no longer be sustained" (p. 76). His detailed case study reveals the structure and nature of four egments of domestic capital: capital owned by the state, the military, the Chinese, and the indigenous groups. Based on his research in the early 1980s, Robison found that the Indonesian capitalist class was fractured y "internal tensions and conflicts and had not established political au-thority over the state apparatus" (p. 373).

[18] See also Harold Crouch, "The Missing Bourgeoisie: Approaches to Indonesia s New Order," in David Chandler and M. C. Ricklefs, eds., *Nineteenth and Twentieth Century Indonesia* (Clayton, Victoria, Australia: Center of Southeast Asian Studies, Monash University, 1986).

In *Bankers and Bureaucrats*, Hewison traces the four stages of the transformation of the state-class relations (pre-1855, 1855–1932, 1932–57, and 1957–present). He contends that since Thailand was integrated into the world market in the mid-nineteenth century, the state has played an essential function in fostering a domestic capitalist class, either through creating a favorable "superstructure" (regularizing and centralizing the state administration; protecting the interests of capital from the threat of the working class; formulating a development strategy and providing "an ideological panacea") or through direct involvement in the economy, including a period of state-led industrialization between 1932 and 1957. Similar to the case in Indonesia, state officials and capitalists forged a close alliance. Hewison asserts that "the capitalist class had become the dominant class by 1957" (p. 91).

Jomo is chiefly concerned with continuity and change in Malaysian social and class relationships and the impact of the state upon the economy through the precolonial, colonial, and postindependence eras. In the process, however, Jomo stresses the "class bias" of both colonial and postcolonial states in their support of capitalists and wealthier peasants at the expense of poor peasants. This rejection of the prevailing view, which holds that ethnic division is the key to the country's history, serves as the guideline for his exploration of contemporary Malaysian political economy.[19]

Central to Jomo's interpretation of postcolonial Malaysia is the ascendancy of "a statist capitalist class" facilitated by three major factors. One factor, he argues, is that growing *class*-based contradictions have fueled *racial* tension and conflict. This conflict provided the opportunity for a more assertive faction within the ruling party to consolidate and advance itself, in part by manipulating racial tensions. Second, the state has actively promoted industrialization through the building of infrastructure, tariff protection, and subsidization of new concerns. Third, and most important, through their control of the state apparatus, Malay politicians, bureaucrats, and well-connected businessmen have undertaken capital accumulation and now constitute a new social class. Jomo concludes that "class contention is the main motive force of history" and that the state has greatly influenced the process of class formation in Malaysia (pp. viii, 283). In this view continued elite Malay political domination is supported

[19] An interpretation similar to that of Jomo can be found in Rustam A. Sani, "The Malay Ruling Elite in the Post-Colonial State of Malaysia," *Solidarity* 114 (September–October 1987). See also Ozay Mehmet, *Development in Malaysia: Poverty, Wealth and Trusteeship* (Kuala Lumpur: INSAN, 1988); and Lim Mah Hui, "Contradictions in the Development of Malay Capital: State, Accumulation, and Legitimation," *Journal of Contemporary Asia* 15, no. 1 (1985).

by poor Malays who fear the Chinese. Ethnic tensions prevent the emergence of class-based political movements.

Conceptualizations and Causal Explanations

The previous brief, simplified summary of the structuralists' empirical findings should permit a closer look at their theoretical underpinnings and key concepts, as well as at their domains of analysis (including both levels and units of analysis).

All three studies begin at the level of the nation, but the nations under study are not isolated entities; rather, they are subject to structural forces that are both international and domestic in origin. This consideration of multiple factors, which is the greatest strength of the structural approach, also leads to some of the problematic assumptions made in the application of the framework.

To explore the causal analysis and findings of the structuralist approach, the remainder of this section responds to the five broad questions posed in the introduction.

THE STATE, ITS DEFINITION, ITS AUTONOMY, AND ITS RELATIONSHIP TO INDUSTRIALIZATION

Without doubt, the state occupies a central place in the three studies under review. The recent effort at "bringing the state back in" has given rise to a number of conflicting definitions of the term and at least four conceptualizations have appeared in the literature. These are (1) the state as government ("by which is meant the collective set of personnel who occupy positions of decisional authority in the policy"), (2) the state as "public bureaucracy or administrative apparatus as a coherent totality" and as an institutionalized legal order, (3) the state as ruling class, and (4) the state as normative order.[20]

Broadly speaking, the structuralists see the state as a ruling class: all underscore the critical role of the political and economic elite in the making and shifting of state policies. Nevertheless, the authors under discussion here go beyond this instrumental view, which sees the state as merely a manifestation of the dominant social forces. They pay great

[20] The conceptualizations are those of Stephen Krasner, "Approaches to the State: Alternative Conceptions and Historical Dynamics," *Comparative Politics* 16 (January 1984). See also Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985); Bert Rockman, "Minding the State—Or State of Mind? Issues in the Comparative Conceptualization of the State," *Comparative Political Studies* 23 (April 1990); and Donald K. Crone, "State, Social Elites, and Government Capacity in Southeast Asia," *World Politics* 40 (January 1988). The prototype for critical analysis of the role of the state in the Third World can be found in Hamza Alavi, "The State in Postcolonial Societies: Pakistan and Bangladesh," *New Left Review* 74 (July–August 1972).

attention to the relative autonomy of the state from society without l ing sight of the structural constraints upon the state. Robison, for exa ple, focuses on an autonomous state that arose from "a social vacuu and on its crucial effect in shaping class relations in Indonesia. Hewi argues that "the state should be considered as being autonomous fr the economic sphere, at least in theory" (p. 31). Jomo considers th aspects of the state—"as an object, as an outcome, and as a determin of ongoing class contention" (p. 283)—yet he appears to be concerr mainly with the impact of the state on social and class relationships Malaysia.

Within this framework the strong leadership of the state is regarc as the key factor in the emergence of a capitalist class. By granting spe privileges to select groups within the ruling elite, by building mu needed infrastructure for the private sector, by mediating confli among various factions of capital, and by counterbalancing the threat the working class, the state has facilitated the birth and maturation o domestic capitalist class.

However, this approach, which stresses the relative autonomy of t state, is weaker in its analysis of the capacities of the state (meaning t ability of the state to "implement official goals, especially over the act or potential opposition of powerful social groups or in the face of rec citrant socioeconomic circumstances").[21] This reveals a lack of attenti to the institutional foundation of the state policy. It is at this junctu that the institutional approach could provide a useful supplement to t structural explanation of the Southeast Asian political economy.

INDUSTRIALIZATION, CLASS FORMATION, AND THEIR POLITICAL IMPLICATION

Class analysis is the second major conceptual tool of the structural a proach. The authors are quite consistent in their use of the term, whi is derived primarily from Marxist antecedents; all stress the social rel tionships of production (Hewison, 16–20; Jomo, 310–11).[22] Therefo their *major concern is the bourgeoisie (or "capital-owning class")*, rath than the middle class.[23] For them, the capitalist class is the major d

[21] The definitions of state autonomy and state capacities are from Theda Skocpol, "Brin ing the State Back In: Strategies of Analysis in Current Research," in Evans, Rueschemey and Skocpol (fn. 20), 9.

[22] As Higgott and Robison put it, class analysis is closely related to the notion of produ tion, which is "the starting point" of the political economy approach to Southeast Asia; Hi gott and Robison (fn. 17), 46.

[23] See Robison's discussion of the difference between the theories of capitalist class and t middle class, in "Problems of Analyzing the Middle Class as a Political Force in Indonesia in Richard Tanter and Kenneth Young, eds., *The Politics of Middle Class Indonesia* (Clayto Victoria, Australia: Center of Southeast Asian Studies, Monash University, 1990); see al

ımic behind the region's contemporary history. Following Bill Warren, obison holds that "the most important revolutionary force at work in ıe Third World today is not communism or socialism but capitalism" ı. vii). Similarly, Hewison contends that "the capitalist class is extremely ɔwerful [in Thailand]" (p. 214). And for these authors capitalism is ɔnceptualized both as an abstraction and as a concrete reality embodied ı the class actions of a bourgeoisie.

The authors offer perceptive insights and impressive data concerning ıe formation and fragmentation of the capitalist class. Yet they (espeally Robison and Hewison) pay little attention to the changing class ·lationships in the countryside and to the function of the working class ı the making of the capitalist class.[24] For example, in an extensively ɔcumented and nuanced analysis, Robison shows how the Indonesian ate through Bulog (Badan Urusan Logistik Nasional—National Logiscs Board) exercises a monopoly over the distribution and pricing of ısic commodities, notably rice, sugar, and flour. He argues that the :rucial function of Bulog is to provide the basis for political and social rder by ensuring stability in the supply and pricing of basic commodies" (p. 229). But themes related to capital accumulation in the countryde, the provision of cheap food for urban workers, or the political costs f state control of agriculture are not developed; rather, the analysis ıoves quickly to the role of Bulog as a "major launching pad for doıestic corporate capital, through its power to allocate distributorships nd contracts, as well as a major source of funds for the private and olitical needs of the politico-bureaucrats who have controlled it" (p. 29).

Hewison has a fine chapter on industrial capital, the key role played y the state in the development of the industrial sector, and the interreıtionship of these two actors as the industrial sector moved in the direcıon of a greater export orientation. He documents the rise in employıent in the industrial sector and concludes his chapter by citing three gnificant points: (1) "the state was clearly determined to promote the

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em, "Authoritarian States, Capital-Owning Classes, and the Politics of Newly Industrial-
ıng Countries: The Case of Indonesia," *World Politics* 41 (October 1988).
[24] In the role of agrarian capitalism, see Gillian Hart et al., eds., *Agrarian Transformation:*
ral Processes and the State in Southeast Asia (Berkeley: University of California Press, 1989);
ıathon Pincus, "Approaches to the Political Economy of Agrarian Change in Java," *Jour-*
l of Contemporary Asia 20, no. 1 (1990). For studies dealing with the relationships between
or, capital, and the state, see Peter Limqueco, Bruce McFarlane, and Jan Odhnoff, *Labour*
l Industry in ASEAN (Manila: Journal of Contemporary Asia Publisher, 1989); Frederic C.
yo, ed., *The Political Economy of the New Asian Industrialism* (Ithaca, N.Y.: Cornell Uni-
ıity Press, 1987); and idem, *Beneath the Miracle: Labor Subordination in the New Asian*
ustrialism (Berkeley: University of California Press, 1989).

development of the textile industry, but not in the form that existed in the fifties"; (2) "political connections have been significant throughout the industry's development"; and (3) "foreign investors, especially the Japanese, have played a key role" (p. 172). His analysis remains at the level of the elite, but we believe that any discussion of the changes taking place in these political economies should focus not only on political interactions at the highest level, but also on the impact of these changes on the working classes, on patterns of legitimation, and on the dynamics of political change.

The structuralists' relative lack of attention to the working class and the countryside not only reflects the flaws of their capital-centered focus (capital in both economic and geographic senses), but more importantly it weakens the argument that class contention is the driving force of history in Southeast Asia. Without a vision of the countryside or the proletariat, politics for these authors is reduced to the jockeying for power among fractions of capital or among political elites in the capital cities of the region. As should be evident, the nature of a class can only be determined by examining its interactions with other classes, not merely by looking at the inherent function of a class per se. In other words, the process of proletarianization should be viewed as an indispensable side of capital formation.

THE STRUCTURAL IMPERATIVES OF THE INTERNATIONAL ECONOMY

The nature of the global economy has a profound impact upon domest class relations. Like the concept of class itself, this conceptualization related to production. As Robison puts it: "Production is quite clearly global, not national process."[25] The workings and influence of the inte national economy are seen from two perspectives. First, the integratio of the domestic economy into the world market since the mid-nineteent century has accelerated the process of capital accumulation. The inte national division of labor continues to serve as a dynamic that broadl determines the levels of industrialization in specific social formation Second, in terms of policy, international pressure for "sound" adminis tration has affected, sometimes indirectly, domestic class formation. Th postcolonial state in Malaysia in 1957, for example, pursued an industri alization policy (the promotion of private enterprise, the diversificatio of production, and the substitution for imports) that was designed i response to a World Bank report (Jomo, 220–21). A similar World Ban report helped shape the pattern of industrialization in Thailand at th

[25] Higgott and Robison (fn. 17), 46.

same time (Hewison, 94). Likewise, as the Indonesian government was forced to undertake structural adjustment and to move toward a more outward-oriented economy during the 1980s, the exact nature of its policy reform package was strongly influenced by the World Bank (Robison, 379–85).

CONFLICTS, POLITICAL ALLIANCES, AND THE BUILDING OF RULING COALITIONS

So far, we have discussed the role of the state in the process of class formation within the context of a changing international economy. We have not yet looked at the political implications of this process.

For the structuralist, the most significant conflict is between the search for capital accumulation and the need to provide social and political legitimacy for the process and outcomes of this capital accumulation. The bases of this conflict are manifested in the income distribution among various class and ethnic groups and the chances of political participation for the vast majority of the people. In Indonesia, this contradiction is shown in the economic nationalism of indigenous Muslim capital and its hostility toward foreign and Chinese capital. The attempt to reconcile the two poles is the backdrop for the rise of certain special forms of capital-politics alliance such as the "Ali-Baba" phenomenon, which refers to an alliance between the politically connected indigenous Indonesian [Ali] and the skilled Chinese entrepreneur [Baba]. These alliances determine the nature and features of the Indonesian political economy and provide the basis for the structuralists' argument that "the ruling class does not rule" in cases where the leading element of domestic capital—Chinese capitalists—are prevented from playing a public political role.

In postcolonial Malaysia, as Jomo has made clear, the state attempts to "simultaneously serve two, sometimes contradictory, ends: while it facilitates the process of capital accumulation by maintaining the conditions for continued exploitation, it also seeks legitimacy as the embodiment of the collective social interest" (p. 235). The intertwining of class and ethnic factors further complicates the picture. The dominance of a Malay statist capitalist class rests largely upon its ability to provide sustained economic growth, which in turn depends on the successful integration of Chinese and foreign capital—in other words, on the effort to minimize the racial confrontation. The tension between political and economic strategies is apparent here; political dominance by Malays may depend on the manipulation of racial animosity while the protection of collective elite economic interests requires racial collaboration.

In Thailand alliances within the capitalist class are more evident,

largely because the Chinese have been smoothly assimilated into Thai society and ethnic differences no longer figure as a major issue in the country's politics. Thus, Hewison pays greater attention to the convergence of interests between the political elite and capital. This elite cohesion should be taken seriously in the explanation of Thailand's "growth coalition."[26]

In Indonesia, as Robison has shown, in addition to ethnic divisions there are two other important levels of structural conflict and alliance that have a strong influence upon political and economic development. One is derived from the dual roles of the politico-bureaucrats: as power holders, they exhibit their natural patrimonial tendency; and as owners of capital, their entrepreneurial impulse emerges. Another conflict, first evident in the early 1980s, is the contradiction between the immediate interest of the emerging capitalist coalition (continuing to follow an inward-looking industrialization strategy) and the growing need for policy change if the development of Indonesian capitalism is to be sustained (shifting to an outward-looking strategy that seeks to integrate the country into the new international division of labor and undertake structural adjustment).

These series of conflicts and reconciliations are the inevitable products of the particular structural imperatives through which the Southeast Asian political economy has evolved. They also place significant constraints upon the options for the ruling state elite in the formulation and implementation of major policies. Hence, from a structuralist viewpoint, the making and unfolding of these dilemmas has largely determined and will continue to determine the nature of the region's political economy. Put in a comparative perspective, the nature of these structural imperatives explains the differences between the experience of countries such as South Korea and Taiwan in Northeast Asia and the current path of economic development in Southeast Asia.

STATE-SOCIETY LINKAGES AND INSTITUTIONS

The interaction between the state and society has been one of the most important factors affecting the process of economic growth in Southeast Asia. As it is usually defined, the state-society linkage is primarily an examination of "states *in relation to* particular kinds of socioeconomic and political environments populated by actors with given interests and

[26] For an analysis of "growth coalitions," see J. A. C. Mackie, "Economic Growth in the ASEAN Region: The Political Underpinnings," in Helen Hughes, ed., *Achieving Industrialization in East Asia* (Cambridge: Cambridge University Press, 1988).

resources."[27] What is the position of the structuralists on this issue? Is it a statist approach, as some label it?

There is no general agreement on how to interpret the nature of state-society relations in the structural framework. Robison's *Indonesia: The Rise of Capital*, for instance, is characterized by some as state-centered while others view it as society-centered.[28] Either of these extremes is problematic, however: no state is completely autonomous and no civil society in the Third World has yet played a fully dominant role. We should therefore be concerned with the degree of independence (or autonomy) the state has from societal forces and the changing balance within interactions. It may be fair to suggest that while the structural explanation has assigned a key role to the state, it does not preclude societal influence. Not only is the very autonomy of the state a product of a particular social structure (for example, one without a strong domestic capitalist class), but the state is also subject to the influence of the emerging class it has created and promoted.

The Dynamics of Economic Growth and Liberalization

Any framework—structuralist or otherwise—that is concerned with the dynamics of the Southeast Asian political economy ought to be able to explain the causes of the region's rapid economic growth and the current trend toward liberalization. To this end, the structuralists maintain that the most fundamental connection between the dynamics of the Southeast Asian political economy and rapid economic growth is the growing identification between the state officials and a relatively strong domestic bourgeoisie. "Why," Robison asks, "did the state [in Indonesia] take such pains to develop the indigenous bourgeoisie?"[29] The answer lies in the increasing integration of the state elite with the domestic capitalist class, as they act as joint venture partners or monopoly license holders or managers of state-owned enterprises. In this way, their political and economic interests rest largely upon their ability to control and dispense state resources for political patronage. Robison's chapter, "The State Corporate Sector and State Managers of Capital," is replete with examples of political entrepreneurs and politico-bureaucrats. He shows how the state cor-

[27] Skocpol (fn. 21), 19 (emphasis in original). See also Timothy Mitchell, "The Limits of the State: Beyond Statist Approaches and Their Critics," *American Political Science Review* 85 (March 1991).

[28] Jeffrey Winters, review of Robison's book, in *Indonesia* 45 (April 1988); MacIntyre, *Business and Politics in Indonesia*, 14–16. A recent study of the state-society relationship in Indonesia is Arief Budiman, ed., *State and Civil Society in Indonesia* (Clayton, Victoria, Australia: Center of Southeast Asian Studies, Monash University, 1990).

[29] Richard Robison, "The Rise of Capital," *Inside Indonesia* 9 (November 1986), 2.

porations control the oil industry and are significant in mining and forestry. In these sectors the state establishes production and work-sharing agreements with the foreign companies that make the bulk of investments and carry out production. These vital sectors embrace "the major sources of foreign exchange earnings and state revenues" (p. 217). Robison further documents that the state banks provide the bulk of commercial credits (p. 18), that in the 1974 census state-owned firms contributed around 20 percent of output, value added, and employment (p. 219), and that state corporations continue to occupy a dominant position in agricultural estates, shipping and air transport, construction and trade (p. 220). Similar, although somewhat less extensive, patterns of state ownership and control of vital sectors of the economy are also found in Thailand and Malaysia.

All three authors examine mechanisms that channel this increasing convergence of interests between the state elite and capital; each emphasizes such methods as using public funds for private capital, building infrastructure, and state investment in large industrial projects as a catalyst for capital accumulation in the private sector. Yet none of the authors draws serious attention to the strength (or the weakness) of the institutions that both make and implement these policies and actualize the potential of these mechanisms that connect state officials and the capitalist class.

From a structuralist perspective, then, the Southeast Asian record of rapid economic growth and the fortunes of the capitalist class in particular seem to depend on the continuation of a favorable political system and a network of political alliances. If that is so, however, their long-term prospects would seem to be in question.[30] Yet, oddly enough, Hewison employs a somewhat simplistic, pluralist assumption which holds that liberalization and democratization will follow the ascendancy of an economically strong capitalist class (this is in contrast to his meticulous analysis of the formation and transformation of the social and class relationships). He predicts the possible emergence of representative democracy in Thailand, although he also talks about a tendency toward capital concentration and centralization (p. 214). Robison thinks that Indonesia is likely to follow the South Korean or Singaporean developmental state mode. Yet both fail to take account of several other important issues that may prevent these countries from moving smoothly

[30] Those whose approach places more emphasis on the explanatory power of culture take the analysis one step further and question the genuineness of the region's capitalism. For two studies that negatively contrast the transition to capitalism in Southeast Asia with earlier transitions, see James Clad, *Behind the Myth: Business, Money and Power in Southeast Asia* (London: Hyman Press, 1990); and Kunio Yoshihara, *Rise of Ersatz Capitalism in Southeast Asia* (Singapore: Oxford University Press, 1988).

toward democratization. For example, the vulnerability of the Chinese capitalists to political change or the resurgence of racism in Indonesia could undermine economic growth. This is a serious concern, despite Robison's assertion that the large Chinese corporate family networks epitomized by Liem Sioe Liong and William Soerjadjaja are so large and so well buttressed economically and politically that they could survive the removal of state protection.[31] More generally, it is important that the structuralists begin to incorporate what Liddle calls the "relative autonomy of the Third World politician" and the influence of political culture on attitudes toward foreign capital.[32]

For Thailand, the violence that occurred in Bangkok in May 1992 is symptomatic of the intransigence of some within the Thai military when they are pressured to relinquish patrimonial privilege and position. More generally the recent Thai experience demonstrates once again that the transformation of these political economies generates tension and that the potential for political instability is quite high.

This, we believe, is of crucial importance because it illustrates that the structuralists have difficulty incorporating into their framework the periodic succession crises, the idiosyncracies of individual leaders, and the crosscutting interests typical of the evolving political systems found in the multiracial societies of Southeast Asia. Thus, despite its many strengths, the structuralist framework must be augmented with other analytical approaches if we are to understand day-to-day politics and the concrete decisions about development policy made by politicians in dynamic societies.

Institutional Explanations of the Southeast Asian Political Economy

n contrast to the works employing a structural approach, the books rouped under the rubric of an institutionalist approach are more arply focused in what they seek to explain and are less concerned with e broad sweep of historical development. Instead, these books draw ur attention away from structures and states and toward subnational nits of analysis at the level of civil society. They focus on the recent nergence of a new balance of power, new patterns of interaction, conct, and (increasingly) cooperation, which ally the private business sector

[31] For further critical analysis along this line, see Richard Tanter, "*Indonesia: The Rise of pital*: A Critique," *Asian Studies Association of Australia Review* 12 (July 1988).

[32] R. William Liddle, "The Relative Autonomy of the Third World Politician: Soeharto d Indonesian Economic Development in Comparative Perspective," *International Studies arterly* 35 (December 1991). See also James Cotton, "The Limits to Liberalization in Instrializing Asia: Three Views of the State," *Pacific Affairs* 64 (Fall 1991).

with some elements of the government in the pursuit of more rapid economic growth and international competitiveness.

Doner analyzes the automobile industry and contrasts state-society linkages and patterns of bargaining with the automobile transnational corporations (TNCs) across Thailand, Indonesia, Malaysia, and the Philippines. Laothamatas studies the rise of business interest groups in Thailand and challenges the regnant bureaucratic-polity model of Thai politics. MacIntyre presents three industry case studies that also document rising levels of influence for societal actors, particularly business interest groups. And Bowie explains how the changing nature of both communal relations and state-society linkages in Malaysia have led to a more interventionist state and a state-led model of industrial deepening.

These books thus loosely fit into a body of literature on institutions and institutional analysis that is now exceptionally diverse. This literature, variously called institutionalism, neo-institutionalism, and the new economics of organization (NEO), is concerned with the family, with the state, with international relations, and now with the contribution of civil society to the efficient management of economic development. What is perhaps most important for this review is that for the institutionalists, or proponents of the new economics of organization, the basic unit of analysis is the "transaction, viewed as a relationship or contract."[33]

As David Feeny points out, "A demand for institutional change arises when some gain cannot be captured under current institutional arrangements."[34] For example, in the case of Thai property rights described by Feeny, nineteenth-century increases in land rent resulting from a rising population and agricultural exports led to more disputes over ownership and control of the land. Transition from a system of usufruct to a secure system of property rights for land allowed the noncultivating elites to capture capital gains. This elite included government officials who participated in the land boom. The government that provided the new institution also benefited because of its enhanced ability to collect land taxes.[35] Feeny is here within the broad intellectual tradition that examines the demand-induced models of institutional change.[36]

[33] A recent review essay that discusses some of this literature is Yarbrough and Yarbrough (fn. 14), quotation at 241. A study that examines institutions in a range of developing nations is Vincent Ostrom, David Feeny, and Harmut Picht, eds. *Rethinking Institutional Analysis and Development: Issues, Alternatives, and Choices* (San Francisco: International Center for Economic Growth, 1988).

[34] David Feeny, "The Development of Property Rights in Land: A Comparative Study," in Robert Bates, ed., *Toward a Political Economy of Development: A Rational Choice Perspective* (Berkeley: University of California Press, 1988), 272.

[35] Ibid., 283–88.

[36] For an example of this literature, which explores agricultural change, see Yujiro Hayami

The study of Korea and Taiwan has, by contrast, been less concerned with the demand for new institutions and more interested in how a fundamental set of institutions within government shapes decisions about development strategy. A representative formulation of the institutional approach there argues that

> the state is not only an actor but a set of institutions that exhibit continuity over time: a field of play that provides differential incentives for groups to organize. Because of variations in institutional structure, political elites differ in their organizational capabilities and the instruments they have at their disposal for pursuing their goals. Institutional variation is critical for understanding why some states are capable of pursuing the policies they do. It is at this intersection between choice and institutional constraint that political explanations of economic growth must be concentrated.[37]

In the case of Korea and Taiwan the study of institutions has usually been the study of institutions within the state and the emphasis has been on how these (policy-making) institutions are insulated from demands arising out of civil society. This insulation, it is argued, has given the technocrats of these countries a strong hand in the planning of industrialization strategy, in the shaping of the corporate structure of the nation's economy, and in reducing the temptation or frequency of rent-seeking behavior. In short, these institutions have been useful in solving a number of collective action problems that plague the process of development.

In Southeast Asia the technocrats have not generally benefited from a similar level of insulation. Yet these nations have grown at rates as impressive as those in the nations with relatively autonomous states that insulate their planning apparatus from redistributive coalitions and other forms of pressure. The technocrats have had to be patient and press their arguments when the governments suffered temporary revenue shortfalls because of fluctuations in commodity earnings. They have had to seek allies where they could find them, both nationally and internationally, and they have found many willing partners in the demand for new institutions within the growing and increasingly competitive capitalist classes of the region. MacIntyre and Laothamatas demonstrate this through a series of case studies and extended arguments on the rise of interest groups within the business community. The interest groups then lobby government decision makers, but more importantly they join with technocratic actors in the government who share a similar agenda. They

and Vernon W. Ruttan, *Agricultural Development: An International Perspective* (Baltimore: Johns Hopkins University Press, 1971). More broadly, this subject is also addressed in Lance Davis and Douglass C. North, *Institutional Change and American Economic Growth* (Cambridge: Cambridge University Press, 1971).

[37] Haggard (fn. 7), 4.

create new institutions every time they create a new decision-makin structure to advance their common interests. This analysis differs fror the traditional pluralist framework of political science in that the goverr ment decision makers are not viewed as neutral processors of competin demands coming from a diverse set of societal actors. Rather, the govern ment technocrats have the same goals as one set of societal actors, an they work together to transform government policy and patterns of de cision making.

These mutually supportive relationships with elements of the privat sector have strengthened the influence of both actors in the policy-mak ing process. As the Southeast Asian case studies amply demonstrat growing numbers of capitalists chafe at the inefficiencies created by con tinuing protection of "infant industries" and the patrimonial redistribu tion of wealth to favored investors. These capitalists prefer to work witl the technocrats in a joint effort to open the economies of the region, t reduce government intervention in the economy, and to make it possibl for the more efficient and aggressive capitalists to compete in a worl market. The four books under review here are concerned with the cre ation of new institutions that encompass new patterns of private/publi sector cooperation in the effort to open the economy, implement reform and achieve international competitiveness.

The four books share certain elements of a common theoretical frame- work. First, the authors clearly challenge the state-centered approach t political and economic change in the region.[38] In their view, this expla- nation fails to take account of recent changes in the region and the rising importance of business associations in national politics and economy. Second, they all seek to explain development strategy or outcome in terms of the actions taken by private, society-based actors or by these actors working in concert with elements of the state. In Malaysia, Bowie asserts, economic development is best explained as the product "of the changing nature of a communal settlement" (p. 5).[39] For Doner, "coali- tions in which authority is shared by public and private actors rather than monopolized by autonomous state actors can generate significant economic growth in developing countries" (Doner, 5).[40] Similarly,

[38] Laothamatas, 10; MacIntyre, 15; Doner, 3–10; and Bowie, 5–6.

[39] Although Bowie does not explicitly use the language of institutionalism, it is entirely consistent with his analysis to conceptualize the evolving agreement among the Malay, Chi- nese, and Indian communities as an institution created by political elites and to assume that the form this institution takes at any moment has an important impact on the nature of the Malaysian development strategy.

[40] Doner's book is the most theoretically ambitious of the four, but at the same time it focuses most narrowly on patterns of interaction among business interests and government policymakers. For him the institutions are to be found in the proliferation of business groups,

MacIntyre argues that in Indonesia "policy formation is not monopolized by the state, the reality involves a blend of conflict and cooperation between both state and societal actors" (p. 191).[41] And Laothamatas sees Thai politics "as being mainly the struggle between the military-bureaucratic elite and the extra-bureaucratic forces." What makes the contemporary period different is that "organized business, a major societal group, has become strong enough to break the monopoly of the military-bureaucratic elite with regard to the economic policy-making of the state" (p. xi).[42]

A third key aspect of the institutionalists' analytical framework is their explanation for the increased importance of societal actors during the 1980s. They assume what the structuralists set out to prove, that is, that a dynamic, vigorous capitalist class has emerged in Southeast Asia. Hence, they begin with the existence of a capitalist class and are silent on the origins of this class.

From that starting point, the institutionalists go on to demonstrate that when the state was suffering from declining revenues during the economic downturn of the early and mid-1980s, it needed the support and cooperation of business (Laothamatas, 78–81; MacIntyre, 23; Doner, 207).

Also since the institutionalists are interested in explaining the nature of the policy-making process and not the dynamics of the entire political economy, they tend to argue that the most important actors in this drama are those most affected and most involved in policy-making and in determining economic development strategy—the business interest groups (Laothamatas, 146). They therefore discount other classes and intermediate associations such as political parties.

Conceptualizations and Causal Explanation

Following this brief introduction to the work of the institutionalists, we evaluate its contribution to broader understandings of the dynamics of the region's political economy. This discussion is based on the same five questions that were asked of the structuralists.

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networks, business-interest associations, and public-private sector consultations. For examples of his work that advance the theoretical implications of the contemporary work on Southeast Asia, see Doner, "Approaches to the Politics of Economic Growth in Southeast Asia," *Journal of Asian Studies* 50 (November 1991); and idem (fn. 14).

[41] Of the four authors, MacIntyre has the most inclusive notion of society-based actors. In addition to considering business associations, he pays serious attention to the role played by the parliament, the press, and community-based nongovernmental organizations.

[42] In comparison with Doner and MacIntyre, Laothamatas is more concerned with the autonomy of *both* the state and business associations.

THE STATE, ITS DEFINITION, ITS AUTONOMY, AND ITS RELATIONSHIP TO INDUSTRIALIZATION

Since these case studies cover four countries in the region, it is to expected that there will be variety in their conceptualizations of the rc of the state. The overriding impression one gets is that the state in Sout east Asia is less strong and less insulated from societal pressure th: Taiwan or South Korea. As the final major argument of his book, La thamatas says that "the Thai liberal corporatism, compared to the go ernment-business relations in the East Asian NICs, is less statist" (p. 15)

It is to their credit that these authors have opened the black box policy-making to analysis, but this done, the state no longer remains cohesive unit of analysis. Each element in the policy-making process b comes an actor with individual interests to be advanced. This leads the authors to define the state in ways that emphasize its openness and inte nal divisions. In *Driving a Bargain*, Doner calls the state "an institution entity composed of an officially legitimated political leadership and pe manent bureaucracy" (p. 10); elsewhere, however, the cohesiveness of tl state is less clear because the state is only one of several institutions c: pable of solving collective action problems and many of these institutior incorporate discrete portions of the state.[43]

Whereas Doner sees a marked decline in the level of state influenc over policy-making (p. 268), MacIntyre and Laothamatas emphasize t varying degrees the continued power of the state in the policy-makin arena. MacIntyre acknowledges that Indonesia remains state-dominate (p. 258), and Laothamatas tries to avoid any suggestion that the govern ment has become a captive of organized business—and he points out tha the [state] "has displayed a distinctive autonomy in financial and securit exchange affairs" (p. 139).

Reflecting the empirical grounding of these approaches and the con crete differences in the case he is studying, Bowie does not look to ex plain the weakening of the state; his interest lies instead in the growin role of the state in the Malaysian economy. Faithful to an institutionalis and society-centered explanatory framework, however, Bowie also ex plains that it is the changing nature of communal politics, both in the larger society and within the ruling national front coalition government, that causes the increase in state strength and intervention in the economy.

What is not clear from these works is whom the state represents. For the structuralists the state is a class state; it is a capitalist state and it

[43] Doner (fn. 14), 399–401.

represents, but is not an instrument of, the capitalist class. Because the institutionalists envision the state as internally divided, they leave the reader without a sense of the collective interests of the state or even of the individual interests of key political actors. This introduces a problem because, as Feeny says:

> The willingness to provide new arrangements does not depend solely on the cost; it also depends greatly on the private benefits and costs of providing the change that accrue to the agents who are in a position to provide change, that is the elite decisionmakers of government. The fundamental institutions of a society and the initial distribution of power will thus have a significant impact on the kinds of new institutional arrangements that are supplied. In some cases the elite's interests will be compatible with actions that serve to maximize social welfare; in other cases they may not be.[44]

Thus, seeing the state as lacking cohesion and as being internally di-
led may be helpful in understanding the nature of debate and com-
omise over discrete policy issues, but it also tends to diminish one's
iderstanding of the class and distributional impacts of the policy out-
its. As Yarbrough and Yarbrough point out, the creation of institutions
at solve collective action problems also entails a new distribution of
wards. In their example, the Organization of Petroleum Exporting
ations may be regarded as a successful institution solving collective ac-
on problems and generating rewards for the oil exporters, but it is
irdly regarded by oil-importing countries as an example of desirable
operation.[45] It may be similarly argued that the institutions which in-
ease efficiency and international competitiveness in Southeast Asia
ive also generated political and economic costs that are not equitably
istributed. But these issues are not investigated by the institutionalists
nder review here. Laothamatas and MacIntyre are more descriptive in
ieir approach and are largely concerned with the factors that led to the
se of business interests groups. Doner and Bowie come closer to ad-
ressing questions of politics and equity. But even here problems remain.
or example, Doner argues in his chapter "Bargaining and State-Society
elations in Southeast Asia" that his study "lends support to the view
nat functional concertation between public and private actors at the sec-
oral level can enhance the host country's leverage in manufacturing, and
nder certain conditions can do so more effectively than state autonomy"
p. 229). The leverage in manufacturing is the leverage to negotiate better
eals with the foreign investors. Politics, it is acknowledged, can enhance

44 Feeny (fn. 34), 274.
45 Yarbrough and Yarbrough (fn. 14), 255.

or weaken the bargaining leverage of the country. The obvious questi is how do we know good politics from bad politics when it comes enhancing bargaining leverage. For Doner, a "useful point of departu is whether such factors [political factors] strengthen or weaken the fun tional ties between government officials and local firms" (p. 240). The functional ties lead to what he calls "tacit alliances" between the sta and local firms promoting national industrialization (p. 242). The r mainder of this chapter provides a detailed analysis of the country-b country evolution of these tacit alliances and their relative success in ge erating economic growth and industrialization. But a careful reading ca result in only one conclusion, that the chapter title does not live up to i promise: an analysis of state-society relations. There is no analysis of th interests of political actors and how they seek to maximize those inte ests, nor is there any concern for the distributional outcomes of these tac alliances.

By way of contrast, Bowie is much more concerned with politics, a when he argues that "among the *political* determinants of industri strategy—specifically strategy concerning the relative weights to be ac corded state and private sector initiatives in the achievement of industria development—relations between communal groups have played a cen tral role" (pp. 149–50). For Bowie it is clear that relations between th Chinese and Malay ethnic groups drive politics and that this in turn ha been the determinative factor as a group of Malay elite politicians ha sought to industrialize the nation while maintaining Malay politica dominance. The institution under study is the communal bargain tha governs the ethnic distribution of political and economic power. But the discussion does not give the reader a clear sense of the state-society link- ages that allow a small minority of wealthy Chinese and Malay elites to protect their collective interests against demands from below. In short, Bowie has also failed to investigate the distributional impact of those institutions that facilitate, or even propel, more rapid economic growth.

The institutionalists have thus not yet addressed the question of what interests beyond economic growth and exports the state brings to the bargaining table—but they could easily do this. They would have to ask whom the state collectively represents and what the distributional impli- cations are of the new institutions being created.

INDUSTRIALIZATION, CLASS FORMATION, AND THEIR POLITICAL IMPLICATIONS

To reiterate, the institutionalists assume the existence of a growing, dy- namic, politically assertive capitalist class. Indeed, they say little about the role of other classes in society. Nor do they fully assess the politica

implications of their case studies. Rather, the authors seek to explain industrialization strategy and the changes in the policy-making process.

They contend that the new business organizations they are studying are not yet active politically and that the organizations' main influence is on policy formation. As Laothamatas says of Thailand, "Organized business is not yet a powerful force for democratization" (p. 117). Similarly, MacIntyre argues that Indonesia "is unlikely to move far in the direction of liberal democracy for some time" (p. 1). The political upheaval in Thailand during 1992 may mean that the business community there is becoming more powerful politically and as a force for democratization. However, when civil society becomes better organized and more assertive, the implications for politics are not always clear. As the business community seeks to influence policy in areas other than the economic sector, then the institutionalists will be forced to address the political dimension. Bowie has come closest to tackling the political implications of the new patterns of state-society linkage, but the findings are not that encouraging. The links between the emerging Malay business interests and the Malay-dominated state have resulted in less not more democratization, and a more not less autonomous state.

THE STRUCTURAL IMPERATIVES OF THE INTERNATIONAL ECONOMY

The institutionalists make a point of analyzing the position of the foreign investors in the industries that they study. In every case we learn important detail about the ownership of shares, the differences in interest, the negotiating strategies, and the sources of bargaining leverage available to the foreign corporation. Often missing, however, is a systematic effort to chart changes in the world economy and the international division of labor that might help us understand the increase in the power of Third World capitalists. Doner does provide this kind of analysis. His chapter 4 is a skillful overview of the evolution of the global automobile industry and the changing goals of Japanese automobile TNCs in the Southeast Asian region. This overview is a prerequisite for his central project—explaining why the same industry with the same global imperatives would have different impacts in different settings. The cases presented by the other three authors are based on single-country studies and are not comparative. As a consequence, whatever discussion there is of the international context seems to emphasize the idiosyncratic impact of the world economy on a single country.

Some consideration is given to the role of the Reagan administration's effort to encourage the private sector (Laothamatas, 82), and, of course, the declining prices for petroleum exports have prompted the search for

new revenue sources. The general decline in commodity prices in all cases is a powerful explanatory variable, but no reference is made to the structural constraints of the international economy upon domestic industrialization.

CONFLICTS, POLITICAL ALLIANCES, AND THE BUILDING OF RULING COALITIONS

The institutionalists do not provide an entirely satisfying framework for understanding the motivations and actions of the political elites. This is a result of their definition of the state as a loose and often divided set of institutions.

The ruling elite seeks legitimacy, but this (seemingly) is determined solely by the efforts of elites to provide stability and economic growth. There is no discussion of other strategies for winning elections or maintaining legitimacy. Again, Bowie is something of an exception because he takes account of the role of ethnicity in the legitimation of Malay political domination.

The institutionalists are writing from a society-centered and, in particular, a business organization–centered perspective. In the case studies, we learn of negotiations over policy in which the political elite is often forced to backtrack and respond to the pressures arising from the private sector and the state technocrats. What is not clear is how the state elites evaluate this pressure, what motivates them to change policy, how they may reconstruct their political coalitions in response to changes in the society, or whether what the case studies describe will culminate in long-term political liberalization.

Instead of a balanced account that explains the position of all participants in the decision-making process, the analysis proceeds from the assumption that ruling elites no longer provide adequate leadership (if they ever did). Moreover, even though the states of Southeast Asia may have provided a foundation for the rapid economic growth of the 1980s and 1990s, the institutionalists imply that today they are as prone to undercut as to support the business community.

The position of the technocrats is usually made clear and they are generally in alliance with business interests. But to reiterate a point already argued herein, the institutionalists need to examine and explain more systematically the political interests that (nontechnocratic) state actors bring to the bargaining table. This is probably the weakest portion of the institutionalists' framework. An example from MacIntyre illustrates this point. His first and most detailed case study, superbly done, deals with the textile industry in Indonesia. It highlights the conflicts between those who would use state power and political connections to

manipulate the industry for private profit and the technocrats and business interests who seek to promote rationality and competitiveness so that the industry might expand to the global market. MacIntyre explains that "there was pressure for widespread economic reform. However, there were also very considerable countervailing pressures resisting economic liberalization from those who were either sceptical of the economic arguments put forward, or more significantly, had a major material interest in the status quo" (p. 126). He concludes with the observation that the "episode should be understood as a case of the government responding to external stimulus, rather than simply proceeding with a deliberate and preplanned policy reform agenda of its own. In sum, it is only when we take account of the tactical alliances forged between state *and* societal actors that we can make sense of the processes of policy formulation illustrated here" (p. 127). But MacIntyre undercuts the importance of this finding when he correctly points out that the key to understanding the way the government acted in this case is to understand the success of the private sector in convincing President Suharto to intervene in the debates then taking place within his own government. The case study conveys a clear understanding of the interests and actions of both the technocrats and business interests. Yet even though Suharto is the most important actor in resolving the policy debate (or in providing the collective good), the chapter does not provide any analysis of his political coalition, electoral strategy, or tactics for maintaining political legitimacy. In short, it is assumed rather than demonstrated that Suharto intervened because of pressure from societal actors.

STATE-SOCIETY LINKAGES AND INSTITUTIONS

This, by contrast, is the area in which the institutionalists make their greatest contribution. Their case studies are full of rich detail about the emergence of what Doner calls "growth coalitions" or what MacIntyre describes as a "loose partnership and tactical alliance between [insurance] industry leaders and various figures within the state structure" (pp. 235ff.). They have, in one way, truly dissected the policy-making process to show how societal actors are now becoming increasingly important partners in the process.

These works demonstrate that the state is not necessarily capable of making wise decisions about development. They demonstrate that there are collective goods that need to be produced by the state, but that the state seldom has sufficient information or expertise to make the most efficacious decisions. This is increasingly true as the economies of Southeast Asia diversify and face tougher international competition. Bowie

investment during the last decade than has any other region of the developing world.

Precisely because Southeast Asia has been so successful in promoting economic growth, the theoretical and empirical findings presented by the books under review lay a solid foundation for developing a more realistic comparison of the processes and consequences of industrialization in the Third World.

To be sure, there are more than just two approaches to explaining the political and economic transformation of the region.[48] However, the two approaches we have discussed are promising because they begin their analysis at the economic base without being trapped in economistic explanations of the spectacular economic growth in the region. The functions of the state and societal forces are systematically incorporated into their analytical frameworks. Unfortunately, the structuralists are stronger in their discussion of the state, while the institutionalists are better at explaining the activities of societal actors. This is because underlying the two frameworks we find the influences of two disparate, but related traditions—one neo-Marxist, the other neo-Weberian.

These two intellectual traditions are not necessarily contradictory. The structuralist interpretation is class-based, with class contention regarded as the ultimate dynamic of political and economic change in the region. Rapid economic growth is the result of a growing identification of interests between the politico-bureaucrats who control the state and the capitalist class that has been created by the state. The institutionalists, by contrast, emphasize societal factors such as business associations and communal settlements. Implicit in their argument is that with the increasing tendency toward *rationality* in policy-making, industrialization is likely to accelerate. In other words, a close public-private collaboration is a driving force behind the rapid economic change of the region. As the institutionalists understand this collaboration, it is pressure from the increasingly assertive private sector that gradually moves the politicians to shift from patrimonial styles of administration to more rational, evenhanded policy-making and implementation.

The contrast in the theoretical underpinnings of the two approaches need not, however, automatically lead to mutually exclusive analytical frameworks. Precisely because of the multidimensional and heteroge-

[48] For example, William Liddle emphasizes the role of the politician in making wise economic choices; See Liddle (fn. 32); and idem, "The Politics of Development Policy," *World Development* 20 (June 1992). Mackie (fn. 26) is concerned with the political underpinnings of economic development. And Clad and Yoshihara (fn. 30) focus on the deviant character of capitalism and economic growth in the region.

neous nature of industrialization and sociopolitical change in Southeast Asia in particular (and in the Third World in general), some aspects of the two contending approaches could engage in a constructive dialogue.

There are indications that the two frameworks are not as disparate as they appear initially. One of the structuralists—Robison—concludes his work by arguing that

> there are important indications that the domestic capitalist class is expanding its influence within the existing authoritarian structure. . . . Most leading politico-bureaucrat families are now also capital owners and embody the competing interests of capital accumulation and the needs of politico-bureaucrats to appropriate the state apparatus. The penetration of the capitalist class into the state apparatus therefore invades and subsumes the very heart of military and politico-bureaucrat power. As a consequence, the demands of capital are impressed more insistently and immediately upon the power holders. (p. 396)

Robison does not believe, however, that these changes in the political economy will lead automatically to bourgeois democracy. What it will lead to remains an open question. Southeast Asia is in a critical period in its post–World War II development. Located in a dynamic Pacific region, several Southeast Asian countries have been experiencing impressive economic growth and an apparent increase in pressure for political liberalization. The exact destination and pace of these changes is nevertheless by no means certain. The institutionalists have compelling evidence that some social groups (for example, the middle class and business interests) are becoming more assertive. The structuralists, by contrast, make clear that the balance of power remains with the traditionally dominant political forces (for example, patrimonial politico-bureaucrats and the military), which control the state and, thus, the policy-making process.

During a transitional period both the state and societal forces find themselves in shifting patterns of interdependence. The state needs legitimacy and it needs to gain economic resources from societal groups. These societal groups, in turn, need continued support from the state as they struggle for dominance in a competitive international marketplace.

This dual focus—on the coexistence of a relatively strong state and the growing influence of society-based actors, as well as on their need for mutual compromise—should serve as a starting point for any inquiry into the Southeast Asian political economy. It is at this juncture that the two approaches may be brought into a fruitful dialogue. What they share is a concern with state-society linkages, but these linkages should not be conceptualized as a zero-sum game. The growing influence of societal

forces does not necessarily lead to either a diminution of state autonom or a reduction in state capacity.[49]

We would like to conclude by suggesting that while it may be difficu to achieve a total synthesis of these two approaches, it is possible to e› plore areas of overlap by focusing on state-society linkages. In this er deavor one should pay greater attention to the impact of the emergin capitalist class (divided into its various fractions) upon the policy-makin process. This class, facilitated by the state in its origin and to this day sti somewhat dependent on the state, serves as an ideal connecting poir between the state and society. But this study must be dialectical in th sense that the state and society both consist of actors with interests t defend. Each set of actors is evolving.

The changing characteristics of the dominant political elites should b given more emphasis. As a result of their (partial or complete) transfoı mation into members of the capitalist class, their patrimonial tendencie may give way to a more capitalist orientation. If this process is in fac occurring, then the nature and political impact of these changes must b documented. Among these will be the reaction of other classes (for ex ample, the urban working class) and other sectors (for example, th countryside) to the new patterns of state-society linkage. If these nev linkages emerge and solidify, will the patterns of state legitimation an state institutional capacity also change in ways that allow the state t respond to other social forces and to channel them into a dynamic proces of economic growth? A failure to manage this transition could lead to a breakdown in the political legitimacy of the system and this would dem onstrate the political fragility of the economic development model bein pursued in Southeast Asia. A successful transition, including a transitior to a broader set of state-society linkages based on new patterns of politi cal legitimation could make Southeast Asia a viable model for Thirc World development.

As the decade of the 1990s unfolds, the transformation that began twc decades ago will certainly continue. A constructive dialogue between the structuralists and the institutionalists and a focus on the convergence of the state and society in the search for economic growth may give us some advantage in charting the course for this rapidly changing region.

[49] As one recent study shows, the state can play a key role in the smooth privatization of state enterprises. R. S. Milne, "The Politics of Privatization in the ASEAN States," *ASEAN Economic Bulletin* 7 (March 1991).

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